

In the Matter of:)
)
Application for)
Certification of the) Docket No. 99-AFC-2
THREE MOUNTAIN POWER PROJECT))
(OGDEN ENERGY, INC.))
)

SACRAMENTO, CALIFORNIA

9:22 A.M.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMITTEE MEMBERS PRESENT

William J. Keese, Chairman, Presiding Member

Robert A. Laurie, Commissioner, Associate Member

STAFF PRESENT

Edwin Bouillon, Jr., Hearing Officer

Cynthia Praul, Advisor to Chairman Keese

Steve Williams, Advisor to Commissioner Laurie

Dick Ratliff, Staff Counsel

Richard Buell, Project Manager

Al McCuen

Mark Hesters

Roger Johnson

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Marcella Crockett

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1 P R O C E E D I N G S

2 9:22 a.m.

3 PRESIDING MEMBER KEESE: Good morning,
4 ladies and gentlemen. I'm Bill Keese, Presiding
5 Member of the siting case for the Three Mountain
6 Project, 99-AFC-2 is our docket number.

7 I'm joined this morning by Commissioner
8 Robert Laurie on our left, and our Hearing Officer
9 Ed Bouillon and Cynthia Praul, my Advisor, to my
10 right.

11 I want to make a couple of introductory
12 remarks as we start this proceeding. We've set
13 aside four days of hearings. We certainly are
14 hoping that we can be more expeditious than that,
15 but they're set aside in case we should need them.

16 For anyone who is new to this, let me
17 remind you that the hearings are taped and
18 transcribed, so we ask that you speak as slowly
19 and as clearly as you can. If you have an unusual
20 last name, please help us out by spelling it. Our
21 court reporter would appreciate that.

22 If you have written testimony that
23 amplifies or tells in detail what you are telling
24 us in any case, we'd appreciate having a copy of
25 that, also.

1 So, we're the Committee that is handling
2 this matter. I will now turn it over to the
3 applicant and staff, and then the intervenors, to
4 introduce themselves. Ms. Cottle, would you like
5 to introduce the applicant.

6 MS. COTTLE: Yes. My name is Lisa
7 Cottle. I'm with the lawfirm of White and Case.
8 I'm appearing as counsel for the applicant. Also
9 here with me is Mike Zischke. Mike is with the
10 lawfirm of Landels, Ripley and Diamond. He's also
11 appearing as counsel for the applicant.

12 And to my left is Marty McFadden.
13 Marty's the Vice President of Three Mountain
14 Power.

15 PRESIDING MEMBER KEESE: Thank you.
16 Staff.

17 MR. BUELL: Yes, my name is Richard
18 Buell. I'm the Staff Project Manager. And to my
19 left is Dick Ratliff, our Staff Attorney, and to
20 his left is Mark Hesters, who is one of our
21 witnesses for today.

22 In the audience we also have Al McCuen,
23 Roger Johnson, who may be filling in for me later
24 today when I go do my civic duty, to do jury duty.
25 And also Pat Owen, our Project Secretary. And

1 Mr. Jim Adams, who is our socioeconomics witness.

2 PRESIDING MEMBER KEESE: Thank you. For
3 CURE.

4 MR. WOLFE: My name is Mark Wolfe. I'm
5 with the lawfirm of Adams, Broadwell, Joseph and
6 Cardozo.

7 PRESIDING MEMBER KEESE: Is that okay --
8 excuse me -- for the court reporter? We're going
9 to need you to approach the mike, please.

10 MR. WOLFE: Mark Wolfe, Adams,
11 Broadwell, Joseph and Cardozo, appearing on behalf
12 of CURE.

13 PRESIDING MEMBER KEESE: TANC.

14 MR. DeCUIR: I'm Dennis DeCuir, DeCuir
15 and Somach, Sacramento, for the Transmission
16 Agency of Northern California. And with me are
17 our witnesses Greg Salyer from Modesto Irrigation
18 District, appearing on behalf of TANC. And Mr.
19 David Larsen, who is with Navigant Consulting, who
20 is also appearing on behalf of TANC.

21 Was my voice too low?

22 COURT REPORTER: No. Mr. Hearing
23 Officer, this morning we had trouble with this
24 microphone and the one where Ms. Cottle is
25 sitting. And they're not working now. Claude,

1 from staff, did come and work on it, and I'm not
2 picking up either of those microphones, just
3 barely. I wonder if we should --

4 PRESIDING MEMBER LAURIE: Mr. Chairman,
5 I would suggest that we take a break and get staff
6 in here and get our technical problems repaired so
7 we can get on with this thing.

8 PRESIDING MEMBER KEESE: I think that's
9 appropriate. Let's get that done before we get to
10 anything that's --

11 (Off the record.)

12 PRESIDING MEMBER KEESE: This is a
13 formal stage, so we'll check with the people who
14 are on line. Have you been able to hear the
15 introductions?

16 MS. FOX: Most of them.

17 PRESIDING MEMBER KEESE: Okay, we
18 believe we're better. Let me try the last ones
19 and we'll see. We've had an introduction by CURE
20 and TANC. I don't believe Mr. Claude Evans is
21 here? Black Ranch? Hathaway Ranch? Parks and
22 Rec? Do we have any other intervenor?

23 MS. CROCKETT: Marcy Crockett for the
24 Burney Resource Group.

25 PRESIDING MEMBER KEESE: Marcy Crockett

1 for the Burney Resources Group.

2 Do we have any other governmental agency
3 who would like to identify themselves at the
4 present time? Thank you.

5 Our Public Adviser, Roberta Mendonca,
6 has been in and out, and is here today. She's out
7 at the moment. Would somebody please just use the
8 mike up here and let's check with our people on
9 the phone. Marty.

10 (Microphone check.)

11 PRESIDING MEMBER KEESE: It's working
12 for me. Those on the line, do you hear that?

13 ON-LINE SPEAKER: Just barely.

14 (Microphone check.)

15 PRESIDING MEMBER KEESE: Thank you. If
16 you need the services of Ms. Mendonca, when she
17 returns please seek her out.

18 With that, I'd like to say we're going
19 to conduct these hearings in as open a manner as
20 possible. Commissioner Laurie and I are here to
21 gather as much information and understanding as we
22 can.

23 Primary to all of this is to make sure
24 that we stay on the schedule in as clear and
25 consistent a manner as we can. So, we're going to

1 be trying to understand what happens to the
2 schedule, where the information gaps are, and
3 what's still to be found. We're going to try to
4 get some clarity about some of the issues that
5 have been up in the air through the current time.

6 This is a formal proceeding. I'll be as
7 loose as I can about the way we handle it. But
8 keep in mind that this is not a round-robin of
9 testimony and reiteration and further reiteration.
10 We expect you to get your points out on the table
11 and we'll debate them as clearly as we can. We
12 will either make a decision or take them under
13 submission.

14 Commissioner Laurie, would you like to
15 make a comment at this time?

16 (Laughter.)

17 PRESIDING MEMBER KEESE: When
18 Commissioner Laurie returns momentarily, we'll
19 give him a chance. Mr. Bouillon, would you like
20 to take over the rest.

21 HEARING OFFICER BOUILLON: Yes. I'd
22 like to take care of a few housekeeping matters
23 before Commissioner Laurie gets back. This
24 hearing was noticed publicly on February 11th, and
25 I believe everybody on the service list was mailed

1 a copy.

2 That notice of hearing contains the
3 order as an attachment, the order in which we will
4 be proceeding today, with a couple of exceptions
5 that I will mention later. If anyone needs a copy
6 of that we have a few extra copies here on the end
7 of the table to my far left.

8 That attachment gives an order of topics
9 for the day, today, and actually for the next day
10 of hearings on March 21st. It is our intention to
11 go through as far through that list of topics
12 today as we can. If we finish, we get the 21st
13 off. Or at least you do. If not, we will pick up
14 where we leave off on the 21st.

15 I'd like to also call your attention to
16 an exhibit list we're going to be preparing. At
17 the prehearing conference the applicant, Three
18 Mountain Power, submitted an exhibit list, listing
19 exhibits 1 through 50, I believe.

20 We will use those numbers with the
21 exception possibly of exhibit number 2, under
22 which they list many documents seemingly
23 unrelated. But in an attempt to keep this list in
24 order, I would suggest that we take those exhibits
25 and list them 1(a), 1(b), 1(c), and so on, so that

1 we can identify them separately.

2 Any other documents by any of the other
3 parties then will begin with exhibit number 51.

4 I'd like to tell you all as Chairman
5 Keese has told you, these evidentiary hearings are
6 formal in nature and everybody will testify under
7 oath or affirmation.

8 The party sponsoring a witness will
9 first briefly establish the witness'
10 qualifications and have the witness summarize
11 their written testimony which should have been
12 filed by now.

13 After cross-examination and redirect and
14 recross, if there such a thing, and I will come to
15 that later, the offering party would then move the
16 written testimony into evidence, as well as any
17 exhibits that accompany that testimony.

18 I want to say one thing also about all
19 of the groups that are here today, both the
20 applicant, the staff, and Burney Resource Group
21 and any other intervenors such as TANC that do
22 participate today, to keep this in an orderly
23 fashion I want to have one representative from
24 each group in control of the proceedings with
25 respect to each witness.

1 For instance, if the applicant is to put
2 on a witness, I don't want -- I notice they have
3 two lawyers here -- I don't want both lawyers
4 asking questions of that witness.

5 I'm sure the lawyers in the group are
6 familiar with that process, but for the
7 intervenors, select one of your number to ask
8 questions and to make representations with respect
9 to each topic area and each witness. It will make
10 the proceedings move along much more smoothly and
11 will stop a lot of confusion that might result.

12 There are several matters that have come
13 up, and we're going to discuss them one at a time.
14 Several motions have been filed, some of which
15 we're prepared to deal with and some of which
16 we're not, but we'll discuss them one at a time.

17 But before I go further with that topic,
18 we deferred Commissioner Laurie's comments, if he
19 had any?

20 PRESIDING MEMBER LAURIE: No.

21 HEARING OFFICER BOUILLON: All right.

22 Turning to those separate motions, we have
23 received a motion from the staff on March 1st, a
24 motion for an additional witness, to add Mr.
25 Hesters as a cosponsor of the staff transmission

1 system engineering testimony, as a result of the
2 testimony filed in this matter by TANC.

3 It is the Commission's inclination, I
4 believe, to grant that motion, is that correct?

5 PRESIDING MEMBER KEESE: Yes.

6 HEARING OFFICER BOUILLON: So for
7 purposes of this hearing Mr. Hesters will be
8 allowed to testify. No new testimony will be
9 filed on his behalf. He will simply be available
10 for cross-examination and any redirect that is
11 necessitated by the proceedings as they go along.

12 The second matter is we have received a
13 motion to intervene by Burney Forest Power with
14 regard to the transmission system engineering, as
15 I understand it. That motion was filed on
16 February 22nd, which is long past the date to
17 allow intervention without a showing of good
18 cause.

19 I also note that as of March 1st the
20 applicant filed opposition to that petition. The
21 petition, itself, seemingly demonstrates some good
22 cause to participate in this hearing, but does not
23 demonstrate any good cause for the delay in
24 attempting to intervene.

25 It is the Commission's intention at this

1 time to allow them to participate as an intervenor
2 for purposes of cross-examination, but not to
3 allow them to file any testimony on that topic,
4 because the testimony on that topic was due on
5 February 22nd, is that correct, Chairman?

6 PRESIDING MEMBER KEESE: Correct.

7 HEARING OFFICER BOUILLON: There is
8 also, I don't know if you would call this a
9 motion, but the Three Mountain Power people have
10 filed a request regarding a schedule change with
11 respect to the hearings that are set for -- is it
12 April? Anyway, the latter two days of hearings,
13 based upon a new wastewater disposal plan that
14 they have filed. And with regard to new
15 developments regarding air quality.

16 At this time I'd like to ask the parties
17 if there have been any further conversations among
18 themselves with regard to those dates. And I'd
19 like to start, since it's the applicant started
20 this with their letter or petition, ask what the
21 current status of that is as far as they know.

22 MS. COTTLE: We have not talked with any
23 of the other parties. Our last communication was
24 with you on Friday. That's when our position --
25 we continue to believe that it's important that

1 the water and soils and biological issues not be
2 tied to the schedule for air quality because of
3 the uncertainty regarding when the final
4 determination of compliance may be issued. And
5 that's still our position.

6 HEARING OFFICER BOUILLON: Staff.

7 MR. RATLIFF: Well, there is a lot of
8 uncertainty about the timing of both of the
9 issues. We talked with the air district last week
10 and they told us at that time that they were, as
11 yet, uncertain whether they would be filing a new
12 preliminary determination of compliance, or
13 whether they would be filing a final determination
14 of compliance.

15 As we understand it, if they file a new
16 preliminary determination of compliance that would
17 make the air quality hearing probably at least
18 four months distant.

19 HEARING OFFICER BOUILLON: I believe the
20 only intervenor present that has any other
21 interest, besides CURE -- do you have anything to
22 say?

23 MR. RATLIFF: If they file a final
24 determination of compliance it would probably be a
25 60-day delay according to them until they would

1 file that, and hearings would probably be two to
2 three weeks later, I would guess.

3 PRESIDING MEMBER KEESE: You're saying
4 if they file a final?

5 MR. RATLIFF: That's right. So, as we
6 understand it, the earliest that we could hold air
7 quality hearings would be in May and June. Right.
8 And it could be longer than that, depending on
9 what the district ultimately decides that it needs
10 to do.

11 Secondly, with regard to water
12 quality, it's our understanding that the regional
13 water quality control board is preparing an
14 analysis of the new proposal. And again there is
15 uncertainty about how long that may take, but I
16 believe our understanding is that that very well
17 may be as long as it takes for the air quality
18 issue to get threshed out.

19 Our position is that until it is clear
20 that these two issues are on separate time tracks,
21 we should plan to keep them together. We don't
22 think there's really any advantage in separating
23 them at this point.

24 HEARING OFFICER BOUILLON: CURE.

25 MR. WOLFE: We actually docketed a

1 statement last week. We support staff's proposed
2 schedule. We not only do not see any advantage to
3 actually separating the issues, we see a
4 disadvantage to actually bifurcating them.

5 We think that particularly in the area
6 of water and biological resources, the topics are
7 so intertwined conceptually that it would be, I
8 think, to the Committee's detriment to hear them
9 separately.

10 So we would support solution that
11 basically moves the entire part two schedule back.

12 HEARING OFFICER BOUILLON: Ms. Crockett.

13 MS. CROCKETT: The Burney Resource Group
14 also concurs with staff and with CURE on this
15 issue, primarily because they are intertwined. As
16 a perfect example, in the applicant's refiling for
17 a new wastewater disposal, in their comments,
18 their secondary comments on the PDOC they
19 indicated they would like to raise the level of
20 TDS in their discharge water, and increase their
21 PM10 emissions.

22 This is a water issue, but yet the PM10
23 emissions will completely impact the air quality
24 and the emissions. So they're very closely
25 intertwined and we would like to see both issues

1 kept together, to not have them bifurcated.

2 And we support staff's position on the
3 timeframe, as well. Thank you.

4 HEARING OFFICER BOUILLON: Well, since
5 you got kind of ganged up on, Ms. Cottle, would
6 you like to respond just very briefly to the three
7 of them?

8 MS. COTTLE: Yes. First of all, our
9 information from the regional water quality
10 control board is that they expect that they will
11 be able to address our mitigation proposal on a
12 very quick timeframe.

13 So, we believe that the schedule for
14 water is much more predictable and should be on a
15 much shorter path than the schedule for air.

16 And we're concerned about leaving
17 everything tied to the schedule for the final
18 determination of compliance because we feel like
19 we've made a lot of progress on the water side,
20 and we don't want to lose the benefit of staff's
21 review up till now, and we don't want to lose the
22 momentum that we feel we have now in going forward
23 on this topic when we don't have to.

24 We understand that the issues related to
25 air quality are largely beyond our control because

1 they depend upon the timing of action by the
2 Shasta County Air Quality Management District, but
3 we continue to believe that we should push forward
4 on the soils and water resources issue as close to
5 the current schedule as possible.

6 We also don't agree that the two issues
7 are intertwined. We believe that they're separate
8 issues and they can be dealt with separately. And
9 if there are air quality issues relating to our
10 revised waste management program, those easily
11 could be dealt with in the air quality phase of
12 the proceedings. The two don't need to go at the
13 same time.

14 So we continue to believe that it's
15 important to push forward on those issues that we
16 can continue to push forward on, recognizing that
17 the air quality is much less predictable at this
18 point.

19 PRESIDING MEMBER KEESE: The Committee
20 will take that under submission and get back to
21 you on it.

22 HEARING OFFICER BOUILLON: The next
23 matter that we need to discuss may come as a
24 surprise to some of you. Yesterday I was notified
25 by a Mr. Pfiffer, who I believe is on the

1 telephone, that he had, as of Saturday, discovered
2 some sort of a seismic report that had been
3 prepared for PG&E with regard to the Pit River
4 number 4 powerhouse, I believe. And that he
5 thought it greatly affected the geology.

6 It had been my understanding that
7 geology, that topic was going to be scheduled for
8 today, and it was going to be taken by
9 stipulation. And I'm sure there are no witnesses
10 present for that topic.

11 I've been informed this morning now that
12 the Burney Resource Group does have a motion in
13 that regard. I have not seen that motion, I don't
14 know if anyone else has. Do we have copies of it?

15 (Pause.)

16 HEARING OFFICER BOUILLON: I've been
17 handed a copy by Ms. Crockett of a motion for
18 continuance of scheduled topic due to new
19 evidence. It appears to contain some points and
20 authorities. Obviously we can't review this and
21 rule on it at the present time.

22 I'd like an opportunity to look at this
23 maybe over the noon hour. I would suggest we take
24 this up after the noon recess. And if the
25 applicant and staff could be prepared to respond

1 at that time.

2 MR. ZISCHKE: We're prepared to respond
3 now if the Commission would like.

4 HEARING OFFICER BOUILLON: That would be
5 helpful to our consideration.

6 MR. ZISCHKE: Okay, --

7 PRESIDING MEMBER LAURIE: Well, just,
8 Mr. Bouillon, one, I don't have the motion. And
9 I'm really not prepared to hear comment until I
10 read and understand the motion, because I have no
11 information regarding the topic, so --

12 PRESIDING MEMBER KEESE: Let's hold this
13 off until after lunch.

14 MS. CROCKETT: The Public Adviser is
15 getting extra copies of the motion now for the
16 Commissioners and anyone who needs other copies.
17 Plus we -- this is Marcy Crockett with Burney
18 Resource Group speaking -- we have extra copies of
19 the actual material that was docketed yesterday.
20 So if the Commissioners want to review it, it is
21 available and I can give each one of you a copy.

22 PRESIDING MEMBER KEESE: I'm not sure
23 we'll be able to review that document during the
24 noon -- but we will -- this is very late in the
25 process, but we will look at this over the lunch

1 hour and then we'll come back and hear discussion
2 after lunch.

3 HEARING OFFICER BOUILLON: The only
4 other matter of which I'm aware is a request by
5 TANC to put their witnesses on early because of
6 some scheduling difficulty that at least one of
7 them has.

8 And the Committee has decided to go
9 along with that. But before we get to that I'd
10 like to ask everyone present, I understand there
11 has been some agreement among the parties to
12 present several of the topics by way of affidavit
13 or stipulation.

14 Is someone prepared to make a statement
15 so that we can kind of go through the schedule and
16 decide, with the exception now of geology, where
17 we are in that regard?

18 MR. RATLIFF: Mr. Bouillon, I am. I'm
19 sure Ms. Cottle is, as well. And perhaps Burney
20 Resource Group would also like to comment.

21 But we have discussed this among
22 ourselves and I have a list of areas where I think
23 we are able to stipulate that we would just go on
24 the declarations and the final testimony.

25 And I can read that if you want me to do

1 so.

2 HEARING OFFICER BOUILLON: Please.

3 MR. RATLIFF: Those areas that we would
4 not present witnesses on but would go according to
5 stipulations and the declarations and the filed
6 testimony would be the project description, worker
7 safety and fire protection, transmission line
8 safety and nuisance, hazardous material
9 management, waste management, traffic and
10 transportation, cultural resources, power plant
11 reliability, power plant efficiency, compliance
12 monitoring plan and general conditions, and
13 facility closure.

14 And that's the complete list. The areas
15 where we intend to have witnesses, as I understand
16 it, are in the areas of transmission system
17 engineering, visual resources, noise, land use and
18 socioeconomic resources.

19 And of the list of things that was in
20 the hearing order, it's our understanding that the
21 discussion of issues that pertain to public health
22 which pertain to air quality will be held for the
23 part two testimony and the air quality hearings,
24 and would not be entertained today. And I think
25 everyone's in agreement about that.

1 PRESIDING MEMBER LAURIE: Mr. Bouillon,
2 I have a couple items that I didn't get under any
3 of the categories. Mr. Ratliff, where are we in
4 regards to socioeconomics, paleontological,
5 facility design and public health? Witnesses or
6 stip?

7 MR. RATLIFF: Well, starting with public
8 health, the issues in public health are issues
9 that principally pertain to the toxics, air
10 contaminants, and those are all going to be heard
11 under air quality. So we did not intend to put on
12 a public health witness today.

13 With regard to paleontology I believe
14 that's subsumed under the area of cultural
15 resources -- I'm sorry, geological resources.

16 MS. COTTLE: I'm sorry to just
17 interrupt. We have a separate witness for
18 paleontological resources. And it was our
19 understanding that both the paleo testimony and
20 the geologic testimony was going to be taken by
21 stipulation.

22 MR. RATLIFF: And that's agreeable to
23 us. And, I'm sorry, did you have another --

24 PRESIDING MEMBER LAURIE: I have --

25 PRESIDING MEMBER KEESE: We're going to

1 hold that one till after lunch.

2 PRESIDING MEMBER LAURIE: I have
3 facility design and socioeconomics.

4 MR. RATLIFF: Under socioeconomics,
5 although we don't have that identified as an issue
6 to be adjudicated, we had intended to put on our
7 witness in any case, so we could receive his
8 direct testimony and make inquiry into the work
9 that he did to establish that there were no
10 environmental justice issues in that community.

11 PRESIDING MEMBER LAURIE: Okay, so you
12 have a witness for socio?

13 MR. RATLIFF: Yes, we do.

14 MR. ZISCHKE: The applicant also has
15 brief testimony from a witness on socioeconomics.

16 PRESIDING MEMBER LAURIE: And facility
17 design?

18 MS. COTTLE: We had understood facility
19 design was going to be taken by stipulation.

20 MR. RATLIFF: Well, facility design, we
21 believe, along with geological and paleontological
22 resources is actually probably the two topic areas
23 that might be affected by Burney Resource Group's
24 motion, which I understand you're going to
25 entertain after lunch.

1 And that's why I didn't mention those
2 two areas. We had intended to stipulate to both,
3 but I understand that if you grant their motion
4 that perhaps you don't want to stipulate to those
5 now, so -- or you don't want us to stipulate to
6 those now, so.

7 HEARING OFFICER BOUILLON: Do you have a
8 comment, Ms. Crockett?

9 MS. CROCKETT: Other than that I agree
10 with Mr. Ratliff on the comments, and the facility
11 design may be impacted by the geology, but that
12 remains to be seen until the decision from the
13 Commissioners on this issue.

14 PRESIDING MEMBER KEESE: And the
15 applicant is in agreement with the list we heard?

16 MS. COTTLE: Except that we --

17 MS. HUMPHRIES: This is Mary Humphries,
18 the Burney Resource Group.

19 PRESIDING MEMBER KEESE: I'm sorry?

20 MS. MENDONCA: I believe somebody has
21 just joined the conference call and she announced
22 that she's now on the line.

23 HEARING OFFICER BOUILLON: Okay.

24 PRESIDING MEMBER KEESE: Thank you,
25 Mary.

1 MS. COTTLE: Just to state our position,
2 we agree with the list except that our position is
3 that geology, paleontology and facility design
4 should be taken today by stipulation.

5 MR. ZISCHKE: And we think we'll
6 demonstrate, based on the report, that there is
7 nothing new and no impact on facility design, but
8 we'll be talking about that after lunch.

9 PRESIDING MEMBER KEESE: Thank you.

10 HEARING OFFICER BOUILLON: All right, I
11 think we're ready to begin. Commissioners, do you
12 have anything to add?

13 We'll begin with the transmission system
14 engineering, and as I said earlier, we will begin
15 with TANC's witness. Are you prepared, Mr.
16 DeCuir?

17 MR. DeCUIR: Yes, I am, Mr. Bouillon.
18 And would it be the Committee's --

19 HEARING OFFICER BOUILLON: Excuse me,
20 Mr. DeCuir, you're going to have to go somewhere
21 where you can be recorded.

22 MR. DeCUIR: Would it be the Committee's
23 pleasure that we proceed just with Mr. Larsen, who
24 has the scheduling conflict for this afternoon?
25 Or would the Committee want us to put on both

1 Mr. Larsen and Mr. Salyer this morning?

2 HEARING OFFICER BOUILLON: Well, I would
3 suggest maybe we do Mr. Larsen first to make sure
4 we get him out of here.

5 MR. DeCUIR: All right, very good. In
6 order to do this effectively I think Mr. Larsen,
7 who's seated in the back, should have a place at a
8 microphone hopefully at a table.

9 HEARING OFFICER BOUILLON: He can come
10 up here to my far left.

11 MR. DeCUIR: Very good. Mr. Larsen, you
12 can sit up on the dais there where the microphone
13 is. And if the Committee would allow me to get a
14 couple of papers and bring them up here I'll be
15 right back.

16 (Pause.)

17 MR. DeCUIR: Would you state your full
18 name, please?

19 MR. LARSEN: Yes, my name is David
20 Larsen.

21 MR. DeCUIR: All right, would the
22 witness be sworn at this time?

23 Whereupon,

24 DAVID LARSEN
25 was called as a witness herein and after first

1 being duly sworn, was examined and testified as
2 follows:

3 DIRECT EXAMINATION

4 BY MR. DeCUIR:

5 Q Mr. Larsen, a statement of your
6 professional qualifications is attached to your
7 declaration, which was docketed this last March
8 1st, is that correct?

9 A Yes, it is.

10 Q And you are currently employed by
11 Navigant Consulting, Inc., as a transmission
12 engineer, is that right?

13 A That is true, yes.

14 Q And you have filed testimony in this
15 docket on February 22nd, which has been served on
16 all the parties, is that correct?

17 A That is correct.

18 Q Would you tell us if you have any
19 changes or alterations to that filed testimony?

20 A No, I don't.

21 Q Could you briefly summarize that
22 testimony for the Committee, please?

23 A Yes. Basically what I do in the
24 testimony is review the potential impacts that the
25 Three Mountain Power Project could have on the

1 transmission system, and the uses of the
2 transmission system by the owners of that
3 transmission system basically between the
4 California/Oregon border and the Sacramento area,
5 if you will, comparing the results of the work
6 that PG&E did --

7 ON-LINE SPEAKER: Excuse me, on the
8 telephone we can't hear at all.

9 MR. LARSEN: Excuse me. Comparing the
10 results of the studies that PG&E had done last,
11 about a year ago, to some independent studies that
12 we did last summer and fall, say discussing the
13 results and impacts on the transmission system of
14 the project, expressing some concerns about, at
15 least what I've kind of labeled, stranded
16 resources, if you will, resources that could not
17 potentially get to load under certain conditions.

18 And then finally just expressing our
19 hope that the ongoing work that the TANC, Western,
20 PG&E, the ISO and the Three Mountain Power Project
21 folks involved in, as far as undertaking some
22 transmission system operating studies, will result
23 in the development of operating procedures that,
24 you know, are acceptable to the parties involved,
25 and will allow the TANC members to utilize the

1 transmission system for the purposes for which it
2 was developed.

3 MR. DeCUIR: Would the parties stipulate
4 to Mr. Larsen's qualifications as an expert?

5 MR. RATLIFF: Yes.

6 MS. COTTLE: Yes.

7 MR. DeCUIR: Mr. Bouillon, it appears
8 that all of the parties have so agreed to his
9 qualifications.

10 All right, Mr. Larsen is available for
11 cross-examination.

12 HEARING OFFICER BOUILLON: Well, before
13 we do that, Mr. Larsen's testimony should be
14 marked as an exhibit.

15 MR. DeCUIR: What number would you
16 assign, Mr. Bouillon?

17 HEARING OFFICER BOUILLON: Marked for
18 identification exhibit number 51.

19 MR. DeCUIR: Mr. Bouillon, do you want
20 to mark separately his declaration that was filed
21 some days later? It has his qualifications on it.

22 HEARING OFFICER BOUILLON: No, we'll
23 make that part of the same exhibit.

24 MR. DeCUIR: All right. Mr. Larsen's
25 available.

1 HEARING OFFICER BOUILLON: Yes.

2 Applicant.

3 CROSS-EXAMINATION

4 BY MS. COTTLE:

5 Q Good morning, Mr. Larsen.

6 A Good morning.

7 Q Your testimony states on page 2 that
8 one-third of the rated transfer capability of the
9 California/Oregon Intertie is allocated to TANC
10 and other participants in the California/Oregon
11 Transmission Project pursuant to the coordinated
12 operations agreement between TANC, PG&E and other
13 parties, is that correct?

14 A Yes, that is correct.

15 Q And does TANC have an exclusive right to
16 use its allocated share of transmission capability
17 on the COI?

18 A My understanding, yes.

19 Q And does that mean that no other party
20 can use that allocated share unless TANC releases
21 it?

22 A That would be my understanding.

23 Q Isn't it also true that the ISO is
24 required to honor TANC's contractual right to use
25 its share of the California/Oregon Intertie?

1 A That is also my understanding.

2 Q And isn't that requirement embodied in
3 the ISO tariff?

4 A I believe so, yes.

5 Q So would you agree then that the ISO
6 cannot allow any other party to use TANC's
7 allocated share of transfer capability on the COI
8 unless TANC releases it?

9 A Well, one would hope that that's the way
10 it turns out, yes.

11 Q Do you believe that the ISO will comply
12 with its tariff?

13 A I believe they would, yes.

14 Q Are you aware that Three Mountain Power
15 intends to compete for the use of available
16 transmission capability?

17 A That's my understanding based on some
18 statements I've heard, yes.

19 Q Isn't it true that the available
20 transmission capability that Three Mountain Power
21 will be competing to use will not include the
22 transfer capability that is reserved for TANC's
23 use under the coordinated operations agreement?

24 A I would assume that's the case, although
25 I haven't seen anything that would firmly state

1 that.

2 MS. COTTLE: Thank you, Mr. Larsen, I
3 have no further questions.

4 HEARING OFFICER BOUILLON: Staff.

5 MR. RATLIFF: Yes.

6 CROSS-EXAMINATION

7 BY MR. RATLIFF:

8 Q Good morning, Mr. Larsen.

9 A Good morning.

10 HEARING OFFICER BOUILLON: Before you
11 begin, Mr. Ratliff, I was informed while the
12 previous questioning was going on that Mr. Evans,
13 one of the intervenors, has appeared and is in the
14 audience. Good morning, Mr. Evans.

15 MR. EVANS: Thank you, sir.

16 BY MR. RATLIFF:

17 Q Mr. Larsen, have you read the testimony
18 of Mr. Salyer who is also testifying on behalf of
19 TANC?

20 A Yes, I have.

21 Q Is there some difference between your
22 testimony and his in terms of purpose?

23 A I believe that there is, yes. My
24 testimony deals primarily with transmission system
25 impacts and issues, where Mr. Salyer gets into

1 some other issues related to resources and so
2 forth.

3 Q And is it your understanding that your
4 expertise and Mr. Salyer's are somewhat different?

5 A That's my understanding, yes.

6 Q Is yours more in the nature of the
7 operation of the overall system, the transmission
8 system?

9 A Yes, I believe so, more in the planning
10 aspect of the transmission system, some in the
11 operations, but primarily in the planning aspects
12 of it.

13 Q And in terms of your experience and
14 qualifications have you had some experience in
15 terms of dealing with issues that pertain to
16 Northwest power?

17 A Yes.

18 Q You testified earlier in response to the
19 prior cross-examination that TANC has -- I may use
20 the wrong word here, I know it's, not only is the
21 jargon somewhat technical, but it doesn't seem to
22 always have the same meaning, but I'll use the
23 term anyway, a firm transmission right to a third
24 of the COI, right?

25 A Yes, well, the owners of the California/

1 Oregon Transmission Project of which TANC is the
2 largest, have rights to a third of whatever the
3 available transfer capability of that portion of
4 the transmission system is at any given time, so
5 it is --

6 Q What is the rated theoretical capability
7 on that?

8 A Right now it's 4800 megawatts.

9 Q By the way, is that right, that firm
10 transmission right, is that sometimes called an
11 encumbrance or a contract in encumbrances? What
12 are the terms that are used to describe that
13 right?

14 A I guess I've always generally heard it
15 referred to as a contractual use. I mean, like I
16 say, it's a number, that 4800 was developed under,
17 you know, some assumed conditions. And the
18 actual, you know, capability of the system varies
19 as the system conditions change.

20 And one right, if you will, that the
21 TANC COTP owners do have is that a third of
22 whatever the transfer capability is at any given
23 time is available for their use.

24 Q This right that TANC has, then, is it
25 something that you would describe as contractual

1 in nature?

2 A Yes, I believe so.

3 Q Now, is any congestion on COI -- I'll
4 call it COI, the Oregon Intertie, is it subject to
5 congestion?

6 A The --

7 Q Are those rights subject to congestion
8 impacts?

9 A I don't believe they are right now.
10 However, they are subject to actions that other
11 parties could take that would impact the total
12 transfer capability.

13 Q Is it the transmission operators
14 obligation to assure that those contractual rights
15 are, in fact, protected?

16 A That's my understanding, yes.

17 Q And that would be PG&E?

18 A Well, it would be the ISO right now. I
19 mean the day-to-day operation and management of
20 the transmission system, at least the portion that
21 is owned by PG&E, is under the control of the ISO
22 as far as the scheduling and day-to-day
23 operations.

24 Q In terms of how the system will operate
25 are there a number of studies being currently

1 performed that will ultimately determine how the
2 system will be operated if Three Mountain Power is
3 interconnected?

4 A Yes, there are.

5 Q And what are those future studies?

6 A Well, the one -- actually there are two
7 of them that are underway right now, as I
8 understand it, that PG&E is conducting, one of
9 them is the detailed facility study, which is kind
10 of the second step, if you will, of the process
11 for allowing the interconnection.

12 And then the second one is something
13 that has been adopted in this case with basically
14 the operational study that is based on, as I
15 understand it, studies that were previously
16 conducted to establish operating limits for the
17 system that will be modified, if you will, to
18 include, you know, whatever impacts the Three
19 Mountain Power Project might have on those
20 operational limits.

21 Q What is the purpose of those studies
22 generally?

23 A Well, in the past those types of studies
24 have been conducted in the, I'll call it WSCC
25 forum now for three and a half years on a seasonal

1 basis. Typically they'll use a series of studies
2 for the spring season when the hydro conditions
3 are at certain levels, in the summer when the
4 hydro conditions might be somewhat less, and in
5 the wintertime.

6 Basically the purpose of those studies
7 in the past has been to determine what, in the
8 case of the COI, what the maximum transfer
9 capability of that three line system is between
10 the Pacific Northwest and California.

11 Q There's something that's also being
12 prepared that's called, as I understand, it's
13 called an SMOP or an SMOP, is that right?

14 A That's my understanding, yes.

15 Q And has a draft of that been prepared at
16 this time?

17 A I haven't seen one.

18 Q You're unaware of any --

19 A I'm not aware of it.

20 Q -- proposed --

21 A Now, that's not to say that there hasn't
22 been one prepared, but I don't believe I've seen
23 it.

24 Q If one were prepared --

25 MR. DeCUIR: Objection, the witness

1 hasn't seen this SMOP. The SMOP, I don't believe,
2 has been docketed or served on anybody. We're
3 asking the witness here with this question of Mr.
4 Ratliff's to speculate.

5 BY MR. RATLIFF:

6 Q What is the purpose of the SMOP?

7 A I'm not exactly sure to be honest with
8 you, sir. I guess I'm more used to dealing with,
9 you know, with what they call the operating
10 procedures that are developed by the parties.
11 This could very well be a similar document. I'm
12 just not familiar with it.

13 Q I believe you answered this previously
14 but let me ask it again to make sure I understood.
15 You said you have not seen any draft of such a--

16 A I don't recall seeing one, no.

17 Q -- of such an SMOP?

18 A I don't believe so.

19 Q Okay. I'd like to move to another point
20 in your testimony that you've made. You state in
21 your testimony that one of the potential impacts
22 of the Three Mountain interconnection would be
23 hydro spill.

24 A Yes.

25 Q When you indicated that, did you mean

1 hydro spill in California?

2 A Well, it could be either in California
3 or the Northwest, Pacific Northwest.

4 Q Is hydro -- are hydro resources must
5 take in California?

6 A That's my understanding.

7 Q And what does that term mean in that
8 sense?

9 A Well, it means that if the generation is
10 available it has to be delivered to the market,
11 that it has priority, if you will, over other
12 resources.

13 Q So that means it goes first as an
14 operating procedure, is that correct?

15 A Yes.

16 Q Now, the other potential place for hydro
17 spill would be in the Northwest presumably, is
18 that correct?

19 A That is correct.

20 Q And is that what you intended to imply
21 in your testimony that there might be hydro spill
22 in the Northwest?

23 A That would be -- could be subject to
24 interruption, yes.

25 Q And this would -- how would this occur,

1 this hydro spill?

2 A Pardon me?

3 Q How would that hydro spill occur, were
4 it to occur? Why would it occur as a result of
5 this project?

6 A Well, part of the concern is that there
7 is a limited amount of transmission capability,
8 you know, between the Pacific Northwest and
9 California that is impacted, like I said, by a
10 number of factors. One of which is the amount of
11 hydroelectric generation in northern California,
12 which is in a different category, if you will,
13 than the hydro capacity in the Northwest.

14 Another item that would impact the
15 amount of power that could be delivered across the
16 California/Oregon border would be the addition of
17 other generation in northern California, such as
18 Three Mountain Project, that basically would, or
19 could utilize 500 megawatts of the available
20 transmission capacity that might otherwise be
21 utilized for delivery of hydroelectric energy or
22 other energy in from the Pacific Northwest.

23 Q Presumably Bonneville Power Authority
24 attempts to avoid hydro spill if they can, is that
25 correct?

1 A Yes.

2 Q And what do they do to try to avoid
3 hydro spill?

4 A I think the one thing that they can do
5 is try to maximize the use of the transmission
6 system to deliver that energy into California or
7 to loads in the Northwest or into Canada.

8 Unfortunately, the Canadians are
9 probably in a condition of -- may be in a hydro
10 spill condition about the same time they are in
11 the Northwest, so really it would just be trying
12 to maximize use of the transmission system to move
13 that energy to where the markets are.

14 Q Does it have anything to do with pricing
15 of their hydro, as well?

16 A Only to a limited degree, I would guess.
17 I mean if it's a choice of selling the energy or
18 letting the water run down the river, I'm sure
19 that they would probably sell the energy.

20 Q If they price the electricity right will
21 it be purchased in California?

22 A Probably to the maximum degree it could.

23 Q Okay.

24 A That's the problem, you know, if you
25 interject another factor that would influence or

1 lower the amount of energy that might be
2 available, it could be transferred into
3 California, even if they, you know, it was priced
4 right you may not be able to get it to market.

5 Q Okay. In terms of the outlook for
6 Northwest power, are you familiar with any studies
7 or discussion of whether or not that power will be
8 more questionable after the year 2002?

9 A I've seen oh, I guess you might call the
10 trade publications, if you will, that deal with
11 some discussions that have been undertaken between
12 Bonneville and other parties in the Northwest that
13 such could occur under some steps that they might
14 take to mitigate the impacts on salmon and other
15 fish that --

16 Q Oh, you're talking about mitigation now
17 for environmental concerns?

18 A Right, yes.

19 Q I'm not talking about that. My question
20 goes to whether or not the Northwest will actually
21 be using more energy, itself, such that there will
22 be fewer exports to California. Have you read
23 anything to that effect?

24 A Yes, I have. There's, you know,
25 concerns that they could be facing some deficits

1 of capacity and energy in the Northwest.
2 Typically, though, those would, I believe, tend to
3 be during the wintertime when, you know, the
4 requirements for such energy in California are
5 probably at their lowest.

6 I'm not sure there's a, you know, a 100
7 percent match, if you will, between the timing on
8 a seasonal basis for those kinds of activities.
9 But I have heard that, yes.

10 Another intervenor, huh?

11 (Laughter.)

12 MR. LARSEN: Excuse me, I just wanted to
13 mention, too, that, you know, there's also, I
14 guess that's kind of a negative, or potential
15 negative side of the whole matter. There's also a
16 lot of activity in the Northwest right now, from
17 an export capability into California, would be
18 positive.

19 With parties like Three Mountain talking
20 about building merchant generating facilities up
21 along the Columbia River, you know, and being able
22 to support the voltages there, and thereby
23 increase the ability to transfer power south.

24 So there's questions on both sides of
25 the issue.

1 BY MR. RATLIFF:

2 Q Okay, in terms of the studies that we
3 talked about earlier, there is currently a study
4 plan for the detail facility study, is that
5 correct?

6 A Yes.

7 Q And does that study plan invoke a
8 process whereby the interested stakeholders
9 participate in developing operating procedures?

10 A Yes.

11 Q And that process is currently underway,
12 is that correct?

13 A It is, yes.

14 Q And when will that conclude?

15 A I don't recall exactly. As I understand
16 it, a lot of the initial work has been done, so I
17 would hope in the near, you know, next month or
18 two the study results ought to be available. I
19 personally haven't seen anything yet.

20 Trying to recall when the initial
21 meeting was held. Probably within the last month,
22 I guess, is when we had the first meeting
23 regarding what I call the operating studies. PG&E
24 has them underway, but I don't recall exactly when
25 they're expected to be completed.

1 Q Now when these operating procedures are
2 developed do you have some reason to believe that
3 TANC's rights to COI will actually be adversely
4 affected?

5 A I don't know. I mean we would hope that
6 that's not the case. I mean that's obviously, you
7 know, where we'll be having our input and trying
8 to, you know, have the outcome reflect that they
9 are not.

10 But until I see, you know, until they're
11 done I don't know as I feel 100 percent
12 comfortable saying that.

13 Q Is it your proposal or your opinion that
14 this proceeding should be delayed until those
15 studies are concluded?

16 A I would recommend that the final
17 approval of the project be made subject to the
18 development of those procedures, just like it is
19 the, as I understand it anyway, the remedial
20 action schemes and anything else that has to be in
21 place to make the project work.

22 Historically that had been the practice,
23 that, you know, such procedures were developed and
24 in place before a new project's transmission or
25 generation, in the past would primarily be

1 transmission projects, were placed in service.

2 Q Are you saying that historically it's
3 the practice that you have a detailed facilities
4 study before a power plant is licensed?

5 A I'm not -- what I meant was that in the
6 historical practice have been, from the
7 transmission system perspective, and looking at it
8 from the involved utilities, that before a major
9 transmission project had been allowed to go in
10 service, that all of the, I'll call them detailed
11 facility study, all the planning work would have
12 to be done.

13 And then operational procedures would
14 have to be developed that were acceptable to the
15 parties that could be impacted by the presence of
16 that facility on the system.

17 Q In your work regarding transmission
18 planning presumably you are familiar generally
19 with the requirements of SB-1890, --

20 A Yes.

21 Q -- would that be correct?

22 MR. DeCUIR: Let me ask a question. Is
23 this SB-1890 or AB-1890?

24 MR. LARSEN: Actually it's AB, I guess.

25 MR. RATLIFF: I thought it was

1 Senator Pease who carried the bill, but --

2 MR. DeCUIR: All right, so the question
3 goes to chapter 854 of the 1996 statutes known as
4 the restructuring --

5 MR. RATLIFF: Yes.

6 MR. DeCUIR: -- electric restructuring
7 legislation? All right.

8 BY MR. RATLIFF:

9 Q And in this work that legislation
10 created the California ISO, is that correct?

11 A That's my understanding, yes.

12 MR. DeCUIR: Let me object. I believe
13 this cross-examination is beginning to extend
14 beyond the scope of the direct testimony. And if
15 staff counsel will explain how it relates to the
16 direct testimony I'll withdraw my objection.

17 MR. RATLIFF: Well, let me propose this,
18 that you allow me to ask my questions and then you
19 can have that subject to a motion to strike, and
20 we can argue about it afterwards. I think this
21 goes to the heart of the purpose of the testimony.

22 MR. DeCUIR: Address the Chair, please.

23 MR. RATLIFF: Agreeable.

24 May I proceed?

25 HEARING OFFICER BOUILLON: Are you

1 objecting to a specific question now?

2 MR. DeCUIR: Yes. The question began to
3 direct the witness' attention to state legislation
4 which the witness has not, in his direct
5 testimony, as I read it, mentioned or alluded to.
6 And so I ask the question of whether such an
7 inquiry is proper as it exceeds the scope of the
8 direct.

9 And secondly, I don't know that this
10 witness has qualified himself as someone to speak
11 on legislation.

12 HEARING OFFICER BOUILLON: If the
13 witness feels unqualified he can so state,
14 himself.

15 I'm going to overrule that objection, as
16 it's not beyond the scope of the cross-
17 examination, I don't believe.

18 MR. DeCUIR: Of the direct.

19 HEARING OFFICER BOUILLON: No, he's
20 under cross-examination right now, and I believe
21 that's a proper question for cross-examination.

22 MR. DeCUIR: Fine, thank you.

23 BY MR. RATLIFF:

24 Q I believe where we stopped, I think you
25 had just testified that the legislation that we

1 were discussing created the California ISO, is
2 that correct?

3 A That's correct.

4 Q The Independent System Operator. What
5 is your understanding of the duties of the
6 Independent System Operator?

7 A As I understand it, the duty, the
8 primary duty of the Independent System Operator is
9 to maintain the reliability of the electric system
10 within the state.

11 Q And in that regard how does that -- hold
12 that a minute -- does that also include the duty
13 to approve those mitigation schemes which are to
14 protect the rights of the transmission system
15 users?

16 A To approve them, you say? Yes.

17 Q Yes.

18 A I would assume so, yes.

19 Q Okay.

20 MR. RATLIFF: I have no other questions.

21 HEARING OFFICER BOUILLON: Mr. Wolfe?

22 MR. WOLFE: No questions.

23 MS. CROCKETT: Thank you.

24 //

25 //

1 CROSS-EXAMINATION

2 BY MS. CROCKETT:

3 Q Good morning, Mr. Larsen.

4 A Good morning.

5 Q I am with the Burney Resource Group. I
6 have some questions for you.

7 You mentioned contractual use. Would
8 you clarify that with the term used in conjunction
9 with use of the COI, California/Oregon Intertie,
10 and TANC? Do they have a written agreement with
11 the ISO to protect their delivery?

12 A The agreement that the owners of the
13 California/Oregon Transmission Project have in
14 place right now, of which as I say TANC is the
15 largest, is with Pacific Gas and Electric. It was
16 an agreement that was developed when the COTP
17 facilities were put in service back in 1993, that
18 specifies the obligations and responsibilities, if
19 you will, of the parties to the agreement.

20 Q So as I understand it, you actually do
21 not have a contractual agreement or written
22 contract with the California ISO?

23 A Not that I'm aware of.

24 Q And consequently all members of TANC are
25 worried because of this lack?

1 A There is concern about it, yes.

2 Q Okay. It was mentioned in an earlier
3 workshop that there was a timeframe involved with
4 your contractual agreements versus the life of the
5 power plant.

6 Do you understand what I'm asking about,
7 that it was alluded to that Three Mountain's life
8 expectancy, between 30 and 35 years, raised a lot
9 of doubts about the members of TANC and where, in
10 the future, this contractual use would be with the
11 California ISO?

12 Am I correct in stating this?

13 A I'm not sure because I wasn't at that
14 workshop, so --

15 Q Okay. Without the PG&E, the final PG&E
16 study, are your engineering calculations not
17 complete without them, without this final study?

18 A Well, I think as far as what the actual
19 facilities that would have to be developed, or as
20 part of the interconnection for Three Mountain
21 Project, those won't be fully known until the
22 detailed facility studies are done. That's one
23 part of the ongoing work.

24 The other part is the operational impact
25 studies, I believe is what it's being called,

1 that, you know, will define how the Three Mountain
2 Project will be operating in conjunction with the
3 rest of the system.

4 They're probably not complete until
5 either of those studies is complete.

6 Q Who is sponsoring the operational study?

7 A PG&E is doing it, the Three Mountain
8 Project, I guess, is contracted with PG&E for the
9 performance of those studies.

10 Q Okay, we're talking about the detailed
11 facility study?

12 A Well, both the detailed facility study
13 and the operational impact study. Both are being
14 sponsored by Three Mountain, I believe.

15 Q Okay. Your concerns about spills in the
16 Northwest, hydro spills in the Northwest, would
17 refer to peak periods in summer or winter when the
18 COI line is fully loaded without Three Mountain
19 right there at this point?

20 A The real concern, like I mentioned
21 earlier, would probably be in the summer
22 periods --

23 Q Okay.

24 A -- when, you know, electric demands are
25 highest in the state, potentially having

1 insufficient resources available to meet those
2 demands.

3 Q During those times of peak demand would
4 you explain to everyone here whether the
5 California/Oregon Intertie has been fully loaded
6 with the generators that are now using that
7 system?

8 A Depends upon what timeframe you're
9 looking at. Prior to the fall of 1996 the
10 intertie facilities, although they weren't fully
11 loaded, they were fairly heavily loaded, 4400 to
12 4500 megawatts, as high as 4800 megawatts in a
13 couple instances.

14 In the fall of -- summer, July and
15 October -- July and August, pardon me, of 1996
16 there were some major disturbances on the
17 transmission system in the western part of the
18 country that originated in Idaho and the
19 Northwest, that since then have resulted in the
20 available transfer capability of the system being
21 limited, at least in the summertime, to, you know,
22 I think the highest that's been available is 4600
23 megawatts, transfers of probably maybe 4400
24 megawatts at the maximum.

25 That's where you get into, I guess, kind

1 of a disparity between the rated transfer
2 capability, which is the 4800 megawatts is a
3 number that's maybe good under ideal conditions.
4 But there are a number of hours in the year when
5 the available capacity is going to be lower than
6 that because of limitations on the system
7 someplace.

8 Q When we talk about that Idaho incident,
9 that was a peak generation period?

10 A Yeah. It was hotter than the dickens
11 that day.

12 Q And the lines overheated, correct?

13 A Well, as I understand it they --

14 Q In a nontechnical sense?

15 A Yeah. There was a tree got in the way.

16 Q And that happened primarily because the
17 line physically sagged?

18 A That's my understanding, yes.

19 Q And how many states were out because of
20 that?

21 A Oh, I don't recall exactly. There were
22 customers --

23 Q Would three be a safe statement?

24 A Pardon me?

25 Q Would three be a safe statement?

1 A Probably. I mean there were customers,
2 you know, in parts of a number of states were
3 impacted by both of those outages.

4 Q And this is with the California ISO in
5 place, system transmission reliability schemes in
6 place, and yet this still happened?

7 A No, that was prior to the ISO.

8 Q This is prior to the ISO?

9 A Yeah, that was in July and August of '96
10 is when those two incidents occurred.

11 Q So the California ISO has only been in
12 operation three years?

13 A Yes, I believe so.

14 Q How have they done as far as handling
15 these types of potential situations so far?

16 A That's kind of a hard question to
17 answer. Luckily there hasn't been any major
18 disturbances on the system, you know, actually
19 since the late summer of '96. And I'm sure that's
20 due to a lot of factors, one of which is, you
21 know, I think people learned some pretty difficult
22 lessons at that time, and the operators have
23 probably tended to operate the system a little
24 more conservatively since that period of time than
25 they might have been prior to that time.

1 Q A three-state outage is a good learning
2 experience. During PG&E's preliminary studies
3 they indicated that these periods of high
4 congestion on their study, that in order for Three
5 Mountain to access the line that other hydro
6 facilities or generators would have to back off,
7 is that correct?

8 A Yes.

9 Q Now, is it your understanding at this
10 time that that would still have to happen?

11 A Yes. I mean if the capacity from the
12 other resources is available and the hydro levels
13 are high in California, and Three Mountain is
14 desiring to run, something's going to have to
15 give.

16 Q And hydro could back off conceivably to
17 the point that there would be spills?

18 A I don't think that the fact that the
19 import capability from the Northwest would have to
20 be decreased would probably lead, in itself, to
21 any spills. Just because of the magnitude of how
22 much generation is available up there. It would
23 just mean more that, you know, there could be
24 energy available that would be more economic, that
25 might not be delivered to market.

1 As far as the magnitude of the spills,
2 I'm not sure it would have a significant impact.

3 Q You bring up the cost of this power
4 generation. Is the cost of higher power
5 generation passed on to the consumer?

6 A That's my understanding, yes.

7 Q So in effect what you've just said is
8 that at times cheaper generation could be, in
9 essence, required to back off, while higher cost
10 generation is brought on line to the cost of the
11 consumer?

12 A There could be an instance of that, yes.

13 Q Would reinforcing Table Mountain, the
14 system to Table Mountain, completely eliminate
15 these concerns?

16 A Reinforcing the system to Table
17 Mountain?

18 Q To Table Mountain.

19 A It's my understanding that a majority of
20 the limitations are due to the system south of
21 Table Mountain, 500 kV system, basically between
22 that part of the state and Sacramento Valley, if
23 you will, that would have to be some
24 reinforcements made to that part of the system to
25 mitigate some of the concerns.

1 Q So in order to get all power to the
2 consumers, inexpensive, or slightly more
3 expensive, reduce potential overload to the
4 system, you would suggest reinforcement beyond
5 Table Mountain?

6 A I believe that's what PG&E's study
7 showed, that in order to by it, you'd have to do
8 some work on that 500 kV system.

9 Q Okay. Thank you.

10 HEARING OFFICER BOUILLON: Is there
11 anyone on the phone from Burney Forest Power?

12 Mr. Evans, do you have any questions for
13 this witness?

14 MR. EVANS: No, sir.

15 PRESIDING MEMBER KEESE: Mr. Bouillon.

16 EXAMINATION

17 BY PRESIDING MEMBER KEESE:

18 Q Mr. Larsen, I'm struggling with the
19 relevance of this situation to this case. Let me
20 ask a couple questions.

21 If a similar plant were being built in
22 Oregon at the other end of this intertie, would it
23 have a similar impact?

24 A That's probably one of the ironies of
25 the situation. Generally speaking, if it were

1 being built in Oregon at the other end of the
2 intertie it would have a positive impact.

3 Q It would not --

4 A From the perspective of California
5 parties it would have a positive impact.

6 One of the reasons that the transfer,
7 amount of power that is available for or can be
8 delivered from northern Oregon, along the Columbia
9 River, if you will, the hydro plants up there,
10 into California is the fact that during the
11 summertime when the hydro production is low, you
12 have voltage problems and other concerns that
13 limit the amount of power that can be moved south.

14 There's been a number of studies that
15 people have done that show that if a merchant
16 facility is built in southern Oregon or along the
17 Columbia River or wherever, that it would increase
18 the amount of power that could be delivered into
19 the California/Oregon border on almost a one-for-
20 one megawatt basis.

21 Q And it would not back off hydro, as
22 we've been talking about?

23 A Not in the summertime, no.

24 Q Well, are we talking about backing off
25 hydro in the summertime here?

1 A Well, it could be either time, but
2 summer is the more critical time.

3 Q When were you talking about the water
4 spillage?

5 A That would -- the water spillage would
6 generally be in the spring, late spring or early
7 summer.

8 Q Would a power plant in Oregon result in
9 the same problem?

10 A Well, I guess it could if it were
11 operating.

12 Q I'd prefer to talk -- if you're making
13 an argument that this power plant is going to
14 result in spillage, my question is would a power
15 plant in Oregon have the same impact? And I think
16 you're saying --

17 A If it was operating, yeah. My point was
18 that I don't believe that the presence of Three
19 Mountain necessarily has a significant impact on
20 the amount of spillage, just because of the fall
21 of the hydro capacity up there, but it does have
22 an impact on that energy being available for
23 delivery south.

24 Q Let's try to restrict ourselves to
25 northern California for the moment.

1 A Okay.

2 Q Any power plant in the north could have
3 this same impact if it feeds into this line?

4 A Sure, yes. Yes. Any plant between --

5 Q And therefore --

6 A -- here and the border.

7 Q -- are you suggesting that we need to do
8 ISO rules? I mean what is the relevance of your
9 argument? I understand your argument. What is
10 the relevance to a power plant? Are you
11 suggesting the Energy Commission's going to have
12 to take into consideration at anytime a power
13 plant is being sited the implications for any part
14 of our transmission grid?

15 I understand that you have a focus
16 point.

17 A Yes, right.

18 Q But are you saying that we, Commissioner
19 Laurie and I, have to take, put the whole grid up
20 here --

21 A No, I don't --

22 Q -- and see if this power plant impacts
23 any part of that grid?

24 A I don't believe it would be necessary
25 for that to be done on the whole grid, you know.

1 The grid is, fortunately or unfortunately, can be
2 kind of, I guess, segregated into two or three
3 pieces, if you will, with regards to northern
4 California.

5 One part of that, in my mind, is that
6 portion of the system between the California/
7 Oregon border and the Sacramento area, if you
8 will.

9 Another area that the TANC members have
10 also expressed concern about is the system in the
11 Bakersfield area, and the ability of that system
12 to move power south to north.

13 You know, I don't think there's probably
14 a whole lot of relationship between what is going
15 on in Bakersfield, you know, on the system north
16 of here, and vice versa.

17 Q So you're, I guess, suggesting that we,
18 as a siting committee, should look at the
19 transmission system at a certain level,
20 recognizing it's all interrelated, but when it
21 rises to a certain level impact then we should
22 take it into consideration?

23 And that this one has a significant
24 amount of impact on your clients' interests --

25 A Yes, yes.

1 Q -- in the system?

2 A Yes. I guess --

3 Q I mean should we look at the other two-
4 thirds of the power, too?

5 A Pardon me?

6 Q I mean you're talking about your
7 clients' rights to say nominally 1600 megawatts.

8 A Yes.

9 Q Should we look at the rights of other
10 parties to the other 3200 at the same time?

11 A I would guess if they expressed concern
12 about it, it should be factored in, yes.

13 Q Your clients take just 1600, or are they
14 interested in competing for that other 3200, too?
15 Do they bring in more than the 1600 that you have
16 firm rights to?

17 A Well, right now they'd be limited to --

18 Q Well, you have firm rights to 1600?

19 A Right.

20 Q Do they occasionally bring in more than
21 that?

22 A Not that I'm aware of, no.

23 Q So you're not concerned about that
24 competitive area up there?

25 A No. I think one of the -- in my

1 opinion, one of the things that would make the
2 process work a little better, and I think it's
3 been frustrating from our perspective for a little
4 over a year now, and particularly with regards to
5 Three Mountain, has been the ability to have some
6 meaningful input during the process, if you will.

7 We, you know, became aware that the
8 initial interconnection study was being performed
9 by PG&E in January of last year, but were not able
10 to have a seat at the table, if you will, until
11 probably the end of September, as far as it
12 appeared that anybody was particularly interested
13 in what we had to say.

14 PRESIDING MEMBER KEESE: Let me --
15 without asking -- this is not a question. I will
16 just make a comment that I'm familiar with
17 legislation last year that was going to transfer
18 to the Energy Commission the PUC's current role in
19 siting transmission lines.

20 That hasn't occurred yet. There's a
21 dividing line. The Energy Commission has the
22 responsibility of siting to the grid, --

23 MR. LARSEN: Right.

24 PRESIDING MEMBER KEESE: -- and the grid
25 actions take place someplace else, either at the

1 PUC or the ISO, but I don't think either
2 Commissioner Laurie or I are, I know we don't
3 participate in those activities. Commissioner
4 Laurie may know something about that.

5 I have a difficulty in my mind in how we
6 are going to leap-frog our authority beyond what I
7 see as our current authority, which is to go from
8 a power plant into a line, into a transmission
9 line.

10 And you're going to have to do quite a
11 bit to convince me that before legislation passes
12 that says that's our responsibility, that we
13 should assume that that's our responsibility, and
14 take authority and move forward there.

15 MR. LARSEN: Well, I guess,
16 Commissioner, I'm not --

17 PRESIDING MEMBER KEESE: That was a
18 comment.

19 MR. LARSEN: Right. And kind of a
20 follow up, I'm not sure -- my feeling is if the
21 process were improved upon, you know, granted
22 people are learning how the thing works, that
23 perhaps some of these issues could have been
24 avoided, or at least discussed a year ago --

25 PRESIDING MEMBER KEESE: In other words,

1 you're going to every forum that you have
2 available to you --

3 MR. LARSEN: Yeah, yeah.

4 PRESIDING MEMBER KEESE: -- and this is
5 one of them?

6 MR. LARSEN: Yeah.

7 PRESIDING MEMBER KEESE: Thank you.

8 HEARING OFFICER BOUILLON: Commissioner
9 Laurie.

10 PRESIDING MEMBER LAURIE: Well, I would
11 just like to note that I concur with Commissioner
12 Keese's comment that our jurisdiction does not
13 extend to points beyond the grid, except to the
14 extent that it requires an environmental analysis
15 of the impacts of any new generation upon the grid
16 that are not speculative.

17 That is, I do not believe that our --
18 although we don't have any regulatory
19 jurisdiction, I believe our CEQA-equivalent
20 process mandates a review of the environmental
21 impacts beyond the point of interconnect.

22 We do, however, as a matter of policy,
23 rely and give deference to the ISO for providing
24 that information.

25 So, I'm not -- I don't think we have a

1 jurisdictional issue here. I think it's simply an
2 informational issue and I'd be looking forward to
3 a response from ISO on the questions that have
4 been presented here.

5 And if somebody disagrees with my
6 understanding of what our analytical obligations
7 are, I'm certainly willing to discuss it.

8 HEARING OFFICER BOUILLON: Mr. DeCuir,
9 do you have any redirect?

10 MR. DeCUIR: Yes, I do. Are you ready
11 for it?

12 HEARING OFFICER BOUILLON: Yes.

13 MR. DeCUIR: Thank you.

14 REDIRECT EXAMINATION

15 BY MR. DeCUIR:

16 Q Mr. Larsen, when Ms. Cottle was
17 questioning you, she asked you to agree that the
18 ISO cannot allow anyone else to use TANC's
19 allocated share.

20 Would you explain inadvertent flows and
21 how, notwithstanding what the ISO is supposed to
22 do, there is still power flowing, when it has not
23 been scheduled, over TANC's allocated share?

24 A Well, I guess the whole concept of
25 inadvertent flow sometimes, I guess it's been

1 called loop flow or other monikers have been hung
2 on it, is when I guess it can actually occur in a
3 number of instances.

4 Probably historically the most common
5 would be the power that was scheduled from one
6 part of the grid to say southern California for
7 example, wouldn't necessarily all flow on the path
8 that one would hope it would. It tends to flow on
9 all different paths.

10 And historically one of the problems had
11 been that a lot of that power would come down
12 through the California -- the interties between
13 here and the Pacific Northwest, which essentially
14 reduces the amount of capacity that the owners and
15 users of that system have available, you know, for
16 their own schedules.

17 So I believe that would be one instance
18 of things that are beyond, at least right now I
19 guess, are beyond the ISO's control, or anybody's
20 control, for that matter.

21 Q Mr. Ratliff asked you if TANC's
22 interests in the COTP were contractual in nature.
23 And I would like you to explain the ownership
24 interests that TANC has in its portion of the
25 COTP, and compare that with the contractual rights

1 it has in connection with the coordinated
2 operations agreement with PG&E.

3 A Well, I guess I'm not exactly 100
4 percent sure of the contents of your question,
5 but --

6 Q Let me just help you, perhaps. The
7 Transmission Agency financed and was in charge of
8 the construction and has an ownership interest in
9 the COTP, isn't that right?

10 A That is correct, yes.

11 Q And it has an ownership interest that is
12 the majority share of that third line of the
13 California/Oregon Intertie called the COTP, isn't
14 that right?

15 A Yes.

16 Q And the Transmission Agency has, as
17 well, an agreement called the coordinated
18 operations agreement which allocates one-third of
19 the total three-line system of the California/
20 Oregon Intertie, isn't that right?

21 A That's true.

22 Q Okay, those are the questions I wanted
23 to put before the Committee to clarify this point,
24 so that it can be seen clearly the distinction
25 between contractual and ownership interests.

1 Mr. Ratliff also asked you to talk about
2 a stakeholder process that is going on that is
3 going to produce operating studies and a detailed
4 facilities plan.

5 Would you recount very briefly to this
6 Committee the efforts that you and others at TANC
7 made to be involved in studies early on, the
8 requests made to the Energy Commission Staff and
9 to the applicant and to PG&E to be included in the
10 process, and what the results were from the time
11 you first heard about this project up until
12 September when you earlier recounted that you were
13 finally involved?

14 A Yes, I mentioned the -- obviously we've
15 been, you know, following the status of the
16 various projects that are in the queue, if you
17 will, as far as Energy Commission approval for
18 some period of time, one of which was Three
19 Mountain Project, is when we became convinced, if
20 you will, that it was probably fairly real, for
21 lack of a better choice of words, was in late
22 December of '98, early January of '99 when the
23 Transmission Agency received a letter from Jim
24 Byrne, who is the head of the Western Regional
25 Transmission Group in Salt Lake City, announcing

1 that he had received a letter from Mr. McFadden
2 mentioning the potential or proposed development
3 of the project.

4 And basically offering up to the members
5 of the Western Regional Transmission Group, of
6 which TANC is one, to make information available
7 to the, or the members had questions or concerns
8 or whatever, about the project.

9 We subsequently prepared a letter, Mr.
10 Maury Kruth, who is Executive Director, or
11 Assistant Executive Director of the Agency at the
12 time, prepared a letter to the Three Mountain
13 folks basically, I guess in some respects,
14 discussing a lot of the issues that we've talked
15 about here this morning, you know, ownership and
16 use of the transmission system. And basically
17 asking, if you will, to be involved in part of the
18 process.

19 At the same time we also contacted PG&E
20 on the staff level and were told that the work
21 that they were doing was on behalf of Three
22 Mountain was confidential, that they couldn't
23 disclose any of the results without the
24 authorization of the Three Mountain Project.

25 That went on for some period of time.

1 Ultimately, in April/May timeframe we were given
2 the opportunity to review the results of the
3 initial interconnection work that was done by
4 PG&E. But the timing on that was such that the
5 comments, if you will, were not allowed to be
6 entered into the list of data inadequacies with
7 respect to the project by the Commission Staff,
8 just because of the timing of when the report was
9 made available, and comments could be provided on
10 it that, you know, pointed out what our concerns
11 were.

12 There were a number of discussions that
13 were held during the summer between the Agency and
14 the Commission Staff. The ultimate outcome was
15 that I believe it's towards the end of September
16 of last year, we participated in a meeting with
17 representatives of the project and PG&E over in
18 Fairfield where some of these issues were
19 discussed. And I think, in part, was one of the
20 things that led to the decision to undertake the
21 operating studies that are presently underway.

22 But, you know, for nine months
23 approximately we were unable to have a lot of
24 input into the subject.

25 Q Mr. Ratliff also asked you to agree that

1 the ISO protects the rights of other transmission
2 owners with mitigation measures. Would you
3 explain to the Committee what happened to the
4 ISO's proposed tariff that it submitted to the
5 Federal Energy Regulatory Commission to require
6 new generators like Three Mountain to mitigate the
7 congestion they would cause, the problems that
8 they would cause that you have described, for
9 example, in the instance of the Transmission
10 Agency?

11 A Well, I'm not, you know, intimately
12 familiar with all the details of the filing or of,
13 you know, FERC's action on it, but it's my
14 understanding it was rejected. And the ISO has
15 subsequently gone back to FERC with another
16 proposal. But that's basically the sum total of
17 my knowledge of that subject.

18 Q Would you describe for the Committee,
19 because the Committee's interest was keen in the
20 area of transmission planning, where transmission
21 planners in California would prefer to site new
22 generation such as the Three Mountain Project?

23 A I'm not sure there's a global consensus
24 on that. Maybe that's part of the problem. I
25 don't, being honest, Mr. DeCuir, I don't believe

1 that there's -- I'm sure that ourselves and the
2 staff of engineers for TANC probably have a
3 different view of that than maybe the engineers at
4 PG&E do.

5 Our preference, I guess, would be to do
6 it, you know, as close as -- granted, there's
7 limitations on what can be done, but, you know, do
8 it as close to load centers as possible so you can
9 make use of the transmission system, at least in
10 this case, for the purposes that it was designed
11 and built.

12 MR. DeCUIR: Thank you. That's the
13 conclusion of my redirect.

14 HEARING OFFICER BOUILLON: Ms. Cottle,
15 any recross?

16 MS. COTTLE: I don't have any recross,
17 thank you.

18 HEARING OFFICER BOUILLON: Mr. Ratliff?

19 MR. RATLIFF: Just a very brief couple
20 of questions.

21 RE CROSS-EXAMINATION

22 BY MR. RATLIFF:

23 Q In terms of the question that you got
24 from Mr. DeCuir about the FERC rejection of the
25 ISO tariff, what is the significance of that

1 rejection in your mind?

2 A I guess probably right now, in some
3 respects it adds, or least continues, another
4 degree of uncertainty as far as, you know, part of
5 the whole process is concerned.

6 Q Is it your understanding that the ISO
7 will propose a new tariff?

8 A That's my understanding, yes.

9 Q And do you know what procedures are in
10 place, or you don't -- let me finish my question
11 to make sure we understand what I asked.

12 Do you know what the procedures are in
13 the absence of that tariff?

14 A Oh, yes, you mean the existing
15 congestion management practices?

16 Q Yes.

17 A I'm familiar with them, yes.

18 Q And what is that?

19 A As far as the congestion management is
20 concerned?

21 Q Yes.

22 A I guess in summary, at least based on my
23 understanding, is if there's congestion on the
24 transmission system that in its simplest sense
25 resources that might be contributing to congestion

1 are backed off, if you will, or other resources
2 that might help to mitigate the congestion are
3 brought on line.

4 MR. RATLIFF: Okay, thank you.

5 HEARING OFFICER BOUILLON: Ms. Crockett,
6 do you have anything with regard to the redirect?

7 MS. CROCKETT: Yes, thank you.

8 RECROSS-EXAMINATION

9 BY MS. CROCKETT:

10 Q Mr. Larsen, was there a conflict of
11 information between information given to the
12 applicant from the California ISO as regards
13 the -- it was stated somewhere, I was trying to
14 review the intervenor application, and there was
15 stated in there that there was a question about
16 the information about the economic viability of
17 the project, and information that the California
18 ISO had relayed to the applicant that TANC was
19 very concerned about. They weren't quite sure it
20 was adequate.

21 Are you aware of that?

22 A No, I'm not. One matter that does come
23 to mind is some questions I believe PG&E raised
24 October -- September, October, November of last
25 year, concerning how the ISO might be interfacing

1 with, and dealing with the Three Mountain Power
2 Project.

3 But I don't recall anything that deals
4 with that specific matter.

5 Q Okay. If you'll give me just a moment
6 here, I'm trying to speed read. We question
7 whether the ISO Staff's preliminary indications
8 are accurate and whether they may safely be relied
9 on by the project developers. This is a direct
10 quote from Judi K. Mosley, Electric Transmission
11 Services, PG&E.

12 A Yeah, that was the one document that I
13 was --

14 Q Right.

15 A -- making reference to that I'm familiar
16 with.

17 Q So, in reference to Commissioner Keese's
18 comments about the Committee's concern about the
19 California ISO, there can be some areas that when
20 they're siting a power plant that do need to be
21 looked at a little bit more closely, especially
22 areas that have lack of load center where power
23 stays on the line and is not taken off the line,
24 as opposed to areas where power plants can go in
25 near load centers. When we were talking about the

1 grid. Would that be correct, Mr. Larsen?

2 A That would be our feeling, yes.

3 Q It would be the Burney Resource Group's
4 feeling, as well. So, this is not just a clear
5 question of the grid, but there are specific areas
6 within the grid that have different needs and need
7 to be addressed correctly, from your perspective,
8 am I stating that correctly?

9 A That's probably a good summary, yes.

10 MS. CROCKETT: Thank you.

11 HEARING OFFICER BOUILLON: Does anyone
12 else have any questions? I think we've gone about
13 as far as we can go with this witness without
14 building a whole new ballpark.

15 PRESIDING MEMBER LAURIE: Mr. Bouillon,
16 Mr. Ratliff, who's your ISO witness going to be?

17 MR. RATLIFF: Mr. Peter Mackin.

18 PRESIDING MEMBER LAURIE: And when is he
19 scheduled to testify?

20 MR. RATLIFF: Immediately after the TANC
21 witnesses.

22 HEARING OFFICER BOUILLON: I would
23 suggest that we take a brief recess. It's 11:00
24 now. How about till 11:15.

25 MR. DeCUIR: Thank you.

1 (Brief recess.)

2 HEARING OFFICER BOUILLON: All right,
3 this hearing is back in session. Before we call
4 the next witness, Mr. DeCuir, do you have a motion
5 with regard to Mr. Larsen's testimony?

6 MR. DeCUIR: Yes. I would like to move
7 that exhibit 51 be admitted into evidence.

8 HEARING OFFICER BOUILLON: Any
9 objection? There being none, it is admitted.

10 MR. DeCUIR: Thank you.

11 HEARING OFFICER BOUILLON: Call your
12 next witness, please.

13 MR. DeCUIR: Yes, I'd like to call to
14 the dais Mr. Gregory E. Salyer, S-a-l-y-e-r.

15 MR. DeCUIR: Would you please administer
16 the oath.

17 HEARING OFFICER BOUILLON: Excuse me,
18 swear the witness, please.
19 Whereupon,

20 GREGORY E. SALYER
21 was called as a witness herein and after first
22 being duly sworn, was examined and testified as
23 follows:

24 //

25 //

1 DIRECT EXAMINATION

2 BY MR. DeCUIR:

3 Q Mr. Salyer, you prepared testimony which
4 was docketed on February 22 of this year, and it's
5 entitled your testimony on behalf of the
6 Transmission Agency. Did you attach a copy of
7 your experience, your rÇsumÇ to that testimony?

8 A Yes, I did.

9 Q And in brief terms, you had been a test
10 and start-up manager at Los Angeles Department of
11 Water and Power and you'd been the Senior
12 Electrical Engineer at Modesto Irrigation
13 District, and for the last eight years you have
14 been the Manager of Generation at Modesto
15 Irrigation District, isn't that right?

16 A Yes, that's true.

17 Q And educationally you have a masters of
18 science degree in electrical power engineering and
19 a bachelors of science in electrical engineering,
20 is that right?

21 A Yes, that's true.

22 MR. DeCUIR: And would the parties
23 stipulate to the qualification of this witness to
24 testify on the subject matter of his testimony?

25 MR. RATLIFF: Yes.

1 MS. COTTLE: I'd just like to clarify
2 one thing. I assume that we're agreeing that this
3 witness is testifying in the area of transmission
4 system engineering, and he's qualified to testify
5 in that area, is that correct? Or are you
6 submitting him as a witness for some other topic
7 area at this time?

8 MR. DeCUIR: I'm submitting him as a
9 witness for all of his testimony that he has filed
10 on February 22nd, that's all, every page of it.

11 HEARING OFFICER BOUILLON: Before we get
12 into any further discussion about that, that
13 testimony, as I understand it, is entitled,
14 testimony of Gregory E. Salyer, filed with our
15 docket office on February 22nd.

16 For the record, so that we know what
17 we're referring to, I'm going to mark that as
18 exhibit number 52 for identification.

19 Now, you may continue.

20 MS. COTTLE: The point I'm trying to
21 make is we wouldn't agree that this witness is
22 qualified to testify as to air quality. And I
23 assume that's not what you're asking us to
24 stipulate to, is that correct?

25 MR. DeCUIR: Well, let's do this.

1 You're willing to stipulate to everything else, I
2 suppose, that he's testified to?

3 MS. COTTLE: That it's a transmission
4 impact, yes.

5 MR. DeCUIR: Well, all right, we will
6 have to bring this out in his testimony I suppose.

7 HEARING OFFICER BOUILLON: Well, would
8 you like to voir dire the witness on air quality,
9 as to his qualifications?

10 MS. COTTLE: No. That's not what I'm
11 asking. I guess what I'm saying is we're not
12 objecting to the admission of his testimony at
13 this time, but we're not agreeing that this
14 witness is qualified to testify in any area other
15 than transmission impacts.

16 HEARING OFFICER BOUILLON: As I gather I
17 think what you're saying is that you don't object
18 to him testifying as an expert witness, you're
19 arguing the weight of that testimony, based on his
20 qualifications?

21 MS. COTTLE: I think that's right.

22 HEARING OFFICER BOUILLON: All right.
23 With that qualification, we'll allow the witness
24 to testify. And I don't think we need to go --
25 unless you see a need to, to expand on his

1 qualifications.

2 MR. DeCUIR: Well, perhaps actually it
3 would help everyone if I touched on a few topics
4 with the Committee at this time, just because I
5 think it might fill in the details and avoid an
6 argument later about whether his testimony should
7 be admitted.

8 MS. COTTLE: Again, I'm not objecting to
9 his testimony being admitted at this time, just to
10 be clear.

11 MR. DeCUIR: All right. Okay, well,
12 let's proceed then.

13 BY MR. DeCUIR:

14 Q Exhibit 52 has been marked, Mr. Salyer.
15 Do you have any changes or additions or
16 corrections to make to your prefiled testimony?

17 A No, I don't.

18 Q And would you please, for the benefit of
19 the Committee and the parties here, briefly
20 summarize your testimony?

21 A Yes. In my testimony I talk about the
22 fact that TANC has contractual rights to 1600
23 megawatts on the California/Oregon Intertie, which
24 may, at times, be infringed upon by the Three
25 Mountain Project.

1 When new generators, such as the Three
2 Mountain Power Project, are added to existing
3 transmission, without mitigating this congestion,
4 this causes added congestion, less reliability and
5 more curtailments, which adversely impact existing
6 contractual rights such as TANC's.

7 To my knowledge the applicant has not
8 proposed to pay for any system reinforcements
9 required to allow the transmission which will
10 simultaneously deliver the rated capacity over the
11 California/Oregon Intertie, full capacity of the
12 hydro facilities in the north, and the Three
13 Mountain Power Project output to loads in central
14 and southern California.

15 Also, to my knowledge, Three Mountain
16 Power Project has not offered up any specific
17 remedial action scheme or other operational
18 solutions that will mitigate any congestion caused
19 by the Three Mountain Power Project.

20 My understanding is that a detailed
21 study won't be done until late in the licensing
22 process, which creates a problem for the
23 stakeholders that does not give us time to
24 adequately review and provide comment on any
25 specific solutions proposed by the applicant.

1 In MID's daily planning we already have
2 to allow for potential de-rates on the COI which
3 routinely occur. The addition of the Three
4 Mountain Power Project will only exacerbate this
5 problem and cause for the potential for more de-
6 rates and decongestion.

7 It's my experience that during times of
8 curtailments that MID has to run local generation,
9 which is typically thermal generation, in place of
10 importing over the Pacific Northwest, over the
11 COI. And in that case that adds to the San
12 Joaquin Valley's cumulative air impacts. And it's
13 not just MID. MID is one member of many of TANC.
14 And a lot of us get into that same situation where
15 when there are curtailments on the COI we all have
16 to run our local generation and this all adds up
17 to a cumulative air impact.

18 These adverse impacts can be mitigated
19 by the applicant, Three Mountain Power Project,
20 providing reinforcements to the transmission grid
21 to assure continual transfer capability with the
22 new plant operation, or providing specific
23 remedial action schemes or other operational
24 solutions proposal in a timely manner so that we
25 have a chance to go ahead and evaluate and provide

1 any comments on that.

2 Q Does that conclude your summary?

3 A Yes, it does.

4 Q Mr. Salyer, would you explain to the
5 Committee and to the parties the experiences
6 you've had that qualify you to testify about air
7 quality in your role as start-up engineer through
8 generation manager, and your role in permitting
9 power plants, so that they can all understand that
10 you know what you're talking about?

11 A I've been involved with thermal
12 generation for approximately 15 years as an
13 engineer. I was project manager on Woodland
14 Generation Station from day one all the way
15 through to the end, which involved all of the air
16 permitting process, negotiating, with the
17 consultants' help, all of the details of our air
18 permit.

19 I'm involved on a daily basis with all
20 of our permitting requirements for our existing
21 thermal generation.

22 Q Thank you.

23 MR. DeCUIR: All right, the witness is
24 available for cross-examination.

25 //

1 CROSS-EXAMINATION

2 BY MS. COTTLE:

3 Q Good morning, Mr. Salyer.

4 A 'Morning.

5 Q Were you present earlier when Mr. Larsen
6 was testifying?

7 A Yes, I was.

8 Q And did you hear me ask Mr. Larsen
9 whether TANC has an exclusive right to use its
10 allocated share of transfer capability on the COI?

11 A Yes, I did.

12 Q And do you agree with him that TANC
13 does, in fact, have an exclusive right to use that
14 transfer capability?

15 A I do agree with that fact, but the
16 reality is there are situations where when you add
17 external generation sources that creates
18 congestion and impacts. And in an ideal perfect
19 world we would be able to maintain our contractual
20 piece.

21 But that leads to congestion and
22 curtailments, which what we see happen on a
23 routine basis is our portion is curtailed back and
24 we have to make adjustments.

25 MS. COTTLE: I'd like to move to strike

1 all of his testimony after, I agree with that
2 fact, given that all I asked him is whether he
3 agreed that they do, in fact, have an exclusive
4 contractual right.

5 HEARING OFFICER BOUILLON: I'm sorry, I
6 wasn't paying attention.

7 MS. COTTLE: I just indicated that I was
8 moving to strike the portion of his testimony
9 after he stated that he agreed with Mr. Larsen
10 that TANC has that exclusive contractual right,
11 because I didn't ask him any of the rest of what
12 he told me.

13 MR. DeCUIR: Well, I think the question
14 was --

15 MS. COTTLE: I asked him a yes or no
16 question basically.

17 HEARING OFFICER BOUILLON: One at a
18 time, please. I'll give you a chance to respond,
19 Mr. DeCuir. Are you finished with your objection?

20 MS. COTTLE: Yes, I am.

21 HEARING OFFICER BOUILLON: Mr. DeCuir.

22 MR. DeCUIR: I think the witness' answer
23 was responsive, and that is what Ms. Cottle is
24 attempting to do is to make an objection that his
25 answer was not responsive to the question.

1 The question was whether he agreed there
2 was an exclusive right, and he explained exclusive
3 in one sense, but as a practical matter, it's not.

4 HEARING OFFICER BOUILLON: I'm going to
5 overrule that objection.

6 BY MS. COTTLE:

7 Q Mr. Salyer, do you agree with Mr. Larsen
8 that no other party can use TANC's contractual
9 right to its allocated share of transfer capacity
10 unless TANC releases it?

11 A Yes.

12 Q Now I'd like to ask you a question about
13 a statement that you made on page 8 of your
14 testimony. You state that, quote, "capacity used
15 on the COI by TMPP, a thermal plant, will at times
16 displace hydroelectric generation from northern
17 California and the Pacific Northwest." End quote.

18 I realize that we've talked a bit
19 already this morning about hydroelectric
20 generation, but I'd just like to clarify your
21 statement in this testimony.

22 My first question is are you aware that
23 the ISO gives scheduling priority during hydro
24 spill conditions to in-state hydroelectric
25 generation?

1 A Yes.

2 Q During hydro spill conditions would you
3 agree that in-state hydroelectric generation will
4 have scheduling priority over the Three Mountain
5 Power Project?

6 A I would believe so.

7 Q Now, if we assume that hydro spill
8 conditions are not present, if we compare the
9 marginal cost of the Three Mountain Power Project
10 with the marginal cost of a hydroelectric project
11 which resource would you expect to have the lower
12 marginal cost?

13 A Under normal circumstances I would
14 expect the hydro would have lower marginal costs.

15 Q Okay. And if we assume that Three
16 Mountain Power is competing with a hydroelectric
17 project for the use of available transmission
18 capability, and each were bidding their marginal
19 cost, which resource would you expect to win?

20 MR. DeCUIR: Objection, I don't believe
21 the question is clear, when you say which would
22 you expect to win.

23 MS. COTTLE: Okay, I'll rephrase the
24 question.

25 //

1 BY MS. COTTLE:

2 Q If Three Mountain Power is competing for
3 the use of available transmission capability, and
4 it's competing against a hydroelectric resource,
5 and each are bidding their respective marginal
6 costs, would you agree that the hydroelectric
7 project is likely to win?

8 A If they are bidding their respective
9 marginal costs, yes.

10 Q Thank you. Now I'd like to refer to
11 page 12 of your testimony. You state toward the
12 end of the page, quote, "An unreliable or
13 congested transmission system impacted by Three
14 Mountain Power Project, or other projects, could
15 require the operation of the McClure and Woodland
16 generating stations in Modesto for much longer
17 periods of time than were ever intended, and
18 could, therefore, have a very direct and adverse
19 impact on air quality, an impact which should be
20 examined and quantified." End quote.

21 Is that your testimony?

22 A Yes, it is.

23 Q And the McClure and Woodland generating
24 stations that you refer to, are those owned and
25 operated by the Modesto Irrigation District?

1 A Yes, they are.

2 Q And were air permits issued for the
3 McClure and Woodland generating stations?

4 A Yes, they were.

5 Q Can you tell us whether those air
6 permits place limits on the amount of pollutants
7 that the generating stations can emit?

8 A Yes, they do.

9 Q And does the Modesto Irrigation District
10 comply with the air permits that were issued for
11 those projects?

12 A Yes, we do.

13 MR. DeCUIR: Permit me to interject an
14 objection to the line of questioning because the
15 compliance by Modesto with the air permits, I
16 don't see real relevance to the issues before the
17 Commission.

18 MS. COTTLE: It goes directly to the
19 question of impact, which I understand Mr. Salyer
20 has testified to.

21 HEARING OFFICER BOUILLON: I'm going to
22 overrule that objection.

23 MR. DeCUIR: Thank you.

24 BY MS. COTTLE:

25 Q So, just to clarify, in making the

1 statement that I quoted from page 12 of your
2 testimony you were not suggesting that the Modesto
3 Irrigation District would operate the McClure or
4 the Woodland generating stations in violation of
5 their air permits, were you?

6 A No. What I'm saying in my testimony is
7 the fact that when there are curtailments we run
8 our local generation, such as thermal, more than
9 we normally would plan. And the other members of
10 TANC get into the same situation, and they would
11 run their local thermal generation. And all of
12 that adds to the air impacts of California.

13 Q But the generating stations that you
14 refer to would not be operated in violation of the
15 limits that are imposed by their air permits,
16 isn't that right?

17 A That is correct.

18 Q Mr. Salyer, I found some information on
19 the Woodland generating station on Modesto
20 Irrigation's website which stated that the
21 Woodland generating station can operate 24 hours a
22 day, seven days a week, or be started up and shut
23 down frequently, depending on need, is that
24 correct?

25 A That is correct.

1 Q And does the air permit for the Woodland
2 generating station allow the project to be
3 operated 24 hours a day, seven days a week, or be
4 start-up and shut-down frequently, if necessary?

5 A Yes, it does.

6 Q Mr. Salyer, your testimony also
7 discusses on pages 11 through 12 the San Joaquin
8 Valley air basin's failure to meet the federal
9 one-hour standard for ozone, is that correct?

10 A Yes.

11 Q Is it your testimony that operation of
12 the McClure and Woodland generating stations
13 contributes to an ozone problem in the San Joaquin
14 Valley air basin?

15 A Yes. It's my testimony that it is part
16 of the long-term cumulative impact to the air
17 quality.

18 Q And do those generating stations emit
19 ozone precursors, such as nitrogen oxide?

20 A Within their permit limits.

21 Q Do you know how many tons per day of
22 nitrogen oxide are permitted to be emitted by the
23 McClure and Woodland generating stations?

24 A Woodland, it comes down to less than 150
25 pounds per day. For McClure, I'm not sure of the

1 tons offhand, but it's, in parts per million it's
2 42 ppm, since it's vintage 1980 technology.

3 Q And can you tell me what percentage of
4 the total annual emissions of nitrogen oxide in
5 the San Joaquin Valley air basin are represented
6 by the numbers you just cited?

7 A I'm sure in that particular case it's
8 small, but again when you look at all of us TANC
9 members doing the same thing, it contributes to
10 the cumulative impact.

11 Q But is it your testimony that a
12 percentage contribution of the McClure and
13 Woodland generating stations to total emissions of
14 nitrogen oxide in the air basin is small?

15 A Yes.

16 MS. COTTLE: Thank you, Mr. Salyer, I
17 have no further questions.

18 HEARING OFFICER BOUILLON: Mr. Ratliff.

19 MR. RATLIFF: Yes.

20 CROSS-EXAMINATION

21 BY MR. RATLIFF:

22 Q Maybe just to take up, in a sense, where
23 the prior counsel left off, we could talk a little
24 bit more about the air quality impacts.

25 The McClure generation station, with

1 which you are familiar, is basically described as
2 a peaking facility, is that correct?

3 A Yes, that's correct.

4 Q And its permit allows it to operate how
5 many hours per year?

6 A 877 hours per unit per year.

7 Q 877 hours?

8 A Yeah, 10 percent capacity factor.

9 Q Okay. And the other unit, the Woodland
10 unit, has been described as a load following unit,
11 is that correct?

12 A That's correct.

13 Q And it's steam-injected turbine?

14 A Yes, it is.

15 Q And that's a fairly clean plant, then?

16 A Yes, it is.

17 Q Relatively speaking?

18 A Relatively speaking.

19 Q And ppm of emissions at that plant,
20 you've operated it, you must know what it is?

21 A Yeah, the permit limit is 3.5 ppm.

22 Q Would that make it one of the cleanest
23 plants in the Sacramento Valley?

24 A I'd say it's clean burning, yes.

25 Q How often -- what does it --

1 HEARING OFFICER BOUILLON: Excuse me,
2 could you repeat that answer? I couldn't hear.

3 BY MR. RATLIFF:

4 Q Yes. How often does that plant run now
5 in terms of its use factor?

6 A It varies from year to year based on
7 hydro conditions and the market. Oh, anywhere
8 from 3000 to 5000 hours.

9 Q Would it be fair to say it runs when
10 it's economic to run?

11 A When it's economic to run, or when it's
12 forced to run, like the scenario where there's
13 curtailment on the TANC line.

14 Q But would you not operate that plant
15 when it's economic to run it, in any case?

16 A Yes.

17 Q Are there any situations that you can
18 think of, extreme situations where you would also
19 run the McClure facility for economic reasons?

20 A If the market's demanding it, like we're
21 finding a lot more with the ISO, that there are
22 times when we need to run it more based on
23 economics. Yes.

24 Q So would you agree that either of these
25 facilities may be dispatched, may be run

1 essentially for economic purposes?

2 A Yes.

3 Q And with regard to that, if neither of
4 these facilities existed tomorrow, what would MID
5 do in case there were curtailment of their imports
6 on the COI? How would they make up the
7 difference?

8 A That's a tough question. It's hard to
9 imagine life without those units in the situation
10 of curtailment. We do have Don Pedro hydro, but
11 that depends on how much water is available.

12 We could go out and attempt to buy it,
13 but then other people will also be in the exact
14 same situation that we would, with those
15 curtailments, and they would have to run or buy
16 off the existing market. So that would really
17 push prices up quite a bit.

18 Q Regarding Don Pedro, you would dispatch
19 it presumably prior to the two plants in question,
20 if there were curtailment?

21 A If there's water available. There's a
22 lot of constraints on hydro generation based on
23 fish flows, the amount of water in the reservoir,
24 irrigation season and other constraints.

25 Q But you would normally dispatch that

1 first if it's available?

2 A If it's available, yes.

3 Q And with regard to other options that
4 the district might have, you could, could you not,
5 contract for replacement power?

6 A Yes, but a lot of times what we run into
7 on a curtailment is it's a real-time phone call
8 saying that this line is cut now, and make
9 adjustments. And going out on the market, it
10 takes up to a couple of hours to get contractual
11 power. So on short notice that's not an option.

12 Q It's impossible to contract for make-up
13 power in this situation?

14 A I'm saying it's very difficult if you go
15 through the PX, our PX, it's like two hours in
16 advance.

17 Q What do the other TANC members who lack
18 generation capacity do in that case?

19 A I don't know.

20 Q What other TANC members have generation
21 besides MID?

22 A TID, NCPA, Santa Clara.

23 Q But there are a number that don't, isn't
24 that correct?

25 A That's true.

1 Q And you aren't familiar with what those
2 members might do if they should lack generation
3 facilities of their own?

4 A No, sometimes they call us and use what
5 we have, thermal generation --

6 Q So they might borrow from other members
7 then?

8 A Right.

9 Q Okay. Did you hear the testimony of Mr.
10 Larsen who preceded you?

11 A Yes.

12 Q And in mind specifically his testimony
13 regarding the issue of hydro spill, did you hear
14 that testimony?

15 A Yes, I did.

16 Q And you heard his response to questions
17 with regard to that testimony?

18 A Yes.

19 Q Did you hear anything in that testimony
20 that you disagree with?

21 A No.

22 Q One of the things that you testified
23 about in your testimony, both written and oral,
24 was you claim that there is a reliability impact
25 from the interconnection of Three Mountain Power.

1 Can you describe that a little more specifically?

2 A Just the case that when you have more
3 generators plugging into one location you're
4 creating more congestion and you're creating
5 competition for use.

6 And when you don't upgrade the
7 transmission system to cover for that you create
8 overloads and it causes situations where you may
9 get curtailments or congestion.

10 Q Are you using the term reliability then
11 as a synonym for congestion?

12 A No. When you get into situations of
13 curtailment and congestion, you start leading into
14 problems in the local system, such as the Modesto
15 system. And then when you do that, you might have
16 problems where you don't have enough power
17 available and maybe you're having to curtail
18 customers.

19 And in a real extreme case you can get
20 in a situation where you might be impacting
21 emergency services or water delivery or sewage
22 treatment type systems.

23 Q Are there mechanisms that are employed
24 to prevent these kinds of reliability impacts that
25 you're familiar with?

1 A There's load shedding.

2 Q Yes. Remedial action schemes, is that
3 another mechanism?

4 A Yes, remedial action schemes are another
5 mechanism.

6 Q And do these basically address those
7 reliability impacts?

8 A Hopefully.

9 Q You said that no reinforcements have
10 been specifically proposed for this project. Is
11 that the only way you can mitigate the impacts of
12 this project, through specific reinforcements?

13 A That, in my opinion, would be the most
14 preferred method. As an alternative you could
15 have remedial action schemes or other operational
16 solutions, but TANC has not seen any specific
17 thing proposed as far as any remedial action
18 scheme or operational fixes.

19 Q Are you familiar with any draft versions
20 of what has been called an SMOP, special
21 mitigation operations procedure?

22 A I'm not familiar with that.

23 Q Proposed by PG&E?

24 A No.

25 Q You're unfamiliar with that. I'm sorry

1 to be so discontinuous about these questions, but
2 going back to the power plants in question,
3 McClure power plant and the Woodland power plant,
4 I believe you previously testified that they are
5 permitted under -- at least the McClure plant has
6 limitations on operation.

7 For both McClure power plant and the
8 Woodland power plant, do you know whether or not
9 the emissions of those two facilities are in the
10 state's emissions inventory for its state
11 implementation plan filed with EPA?

12 A I would assume so.

13 Q And are the emissions from the Woodland
14 plant offset?

15 A The Woodland plant was sited when you
16 were allowed up to 150 pounds per day of NOx
17 emissions. That window closed several years ago,
18 so as long as Woodland stays below the 150 pounds
19 per day there were no offsets required for that
20 facility.

21 Q So at that time you weren't actually
22 emitting enough for the regulations at that time
23 to require you to have offsets?

24 A That's correct.

25 Q Okay.

1 MR. RATLIFF: I have no other questions
2 at this point.

3 HEARING OFFICER BOUILLON: Mr. Wolfe, do
4 you have any questions?

5 MR. WOLFE: No questions.

6 HEARING OFFICER BOUILLON: Ms. Crockett.

7 CROSS-EXAMINATION

8 BY MS. CROCKETT:

9 Q Good morning, Mr. Salyer.

10 A 'Morning.

11 Q Okay, let's explain the word curtailment
12 and how quickly it can happen.

13 A Curtailment is when we get a call say
14 from the ISO that says, take in the case of MID,
15 our 263 megawatt piece is no longer 263 megawatts,
16 maybe it's 150.

17 Because what happens is they will
18 curtail the whole transmission path and everyone
19 gets a pro rata share of that.

20 So in our case we have contracts with
21 the Pacific Northwest, like BPA, where we import
22 power. And we may have to cut off part of that
23 import with that curtailment.

24 Q So what happens is due to a failure in a
25 plant or something happening, the ISO calls you

1 and says you have to cut back, is that correct?

2 A That's correct.

3 Q And curtailments are never planned in
4 advance, is that correct?

5 A That's usually correct.

6 Q They're almost always a reaction to need
7 within the system as it happens?

8 A Right.

9 Q Now because of this curtailment
10 conceivably how much of your generating priorities
11 that 1600 megawatts that is TANC's could you lose?

12 A We could lose the majority of it. At
13 times of extreme curtailments we've lost almost
14 all of it.

15 Q And then you are forced to kick in these
16 plants --

17 A Yes.

18 Q -- that you were talking about to fill
19 that void?

20 A Yes.

21 Q Now, if those plants cannot fill that
22 void and you have to go out and buy power, that's
23 very costly, isn't it?

24 A Yes.

25 Q Conceivably could TANC lose money

1 fulfilling its contractual obligations during
2 periods of curtailment?

3 A Yes.

4 Q Large amounts of money?

5 A Large amounts.

6 Q If this were to happen repeatedly would
7 this be a large impact on the financial integrity
8 of TANC?

9 A Yes.

10 Q How many generating facilities or
11 generators are participating, are members of TANC
12 right now, just a number, approximately?

13 A I'm going to take a guess, --

14 Q Fine.

15 A -- maybe 20.

16 Q Okay. These are not small mom-and-pop
17 cogen plants, are they?

18 A No.

19 Q Would you like to mention some of the
20 members of TANC, just some of the bigger ones?

21 A SMUD, --

22 Q Okay.

23 A -- actually my 20 I think is
24 considerably higher when you factor in places like
25 SMUD, but SMUD, Santa Clara, MID, TID, --

1 Q Could you give names for those?

2 A Okay, sure. SMUD is Sacramento
3 Municipal Utility District; TID is Turlock
4 Irrigation District; NCPA, Northern California
5 Power Association.

6 There's Silicon Valley Power which is
7 the City of Santa Clara; Roseville, the City of
8 Roseville, --

9 Q So we're talking about large
10 municipalities that could have economic impacts
11 that they would have a hard time adjusting to from
12 curtailments, is that correct?

13 A That's correct.

14 Q We're not talking about small
15 businesses. So this curtailment issue is a large
16 issue as far as TANC is concerned?

17 A Yes, it is.

18 Q In the last three years of operation by
19 the Cal ISO did you receive curtailment orders
20 that resulted in spills?

21 A I don't know the answer to that.

22 Q On the bidding costs, we need to get
23 into that. You need to explain whether a plant
24 has to bid at its marginal operating cost.

25 A No, it doesn't.

1 Q Can it under-bid itself, under-cut
2 itself to get into the bidding line for the
3 market?

4 A Yes, it can.

5 Q Currently right now isn't there a
6 lawsuit projected, or -- lawsuit might be too
7 strong a word -- a way that there are some bidders
8 that are going in and undercutting themselves to
9 receive placement in the bidding order, hasn't
10 that been intimated and known throughout the
11 industry?

12 PRESIDING MEMBER LAURIE: Sir, before
13 you answer that -- Mr. Bouillon, I want to get an
14 understanding of the relevance of this line of
15 questioning and get some parameters around this
16 testimony.

17 I want to make sure I have an
18 understanding of what is relevant to this plant.
19 Are we talking about an economic issue or are we
20 talking about an environmental issue? And to what
21 extent is pricing relevant to all of that?

22 And I would ask that there be some
23 discussion of that before this line of questioning
24 continues.

25 HEARING OFFICER BOUILLON: Ms. Crockett,

1 what is the relevance of your line of questioning?

2 MS. CROCKETT: The relevance is that the
3 applicant has stated and alluded to the fact that
4 they will be bidding for a place in the power, and
5 therefore if they don't bid correctly they will
6 not be available to enter the system.

7 And she was making the statement of the
8 marginal costs. But there are no limits to a
9 plant bidding at marginal cost, and therefore
10 assuring themselves a place in the marketplace
11 through the Cal-ISO marketing -- it's actually not
12 the Cal-ISO, that's earlier on in the morning, so
13 that they are assured of a place within the market
14 for that day's operations.

15 And this curtailment issue, it's very
16 relevant to the marketplace and the impacts that
17 another bidder could have on this. And that's why
18 I bring this up.

19 PRESIDING MEMBER LAURIE: Well, you're
20 going to go -- Mr. Bouillon, let me ask that
21 consideration be given to taking the question one
22 step further. Given those last statements, why,
23 again, is that relevant to the analysis that we
24 would utilize in order to license this plant?

25 Explain to me what the environmental

1 consequences are of the pricing system.

2 MS. CROCKETT: The environmental
3 consequences.

4 PRESIDING MEMBER LAURIE: I'm not asking
5 you to testify, I'm asking you to explain to the
6 Committee the relevance in light of what our
7 analysis is.

8 MS. CROCKETT: If Three Mountain Power
9 is allowed to site outside the load center to use
10 the amount of water, to generate the amount of
11 pollutants that are proposed at this point, the
12 environmental impacts are staggering.

13 And one of the reasons they're there is
14 because of economics. They're definitely
15 intertied.

16 What more can I say?

17 HEARING OFFICER BOUILLON: It doesn't
18 seem to me that the economics of either the Three
19 Mountain Power plant or its impact or lack of it
20 on the environment in the Burney area has anything
21 to do with the economics of the system as a whole,
22 and whether or not TANC or any of its individual
23 members would be impacted.

24 MR. DeCUIR: If the Chair would
25 entertain a comment from me?

1 HEARING OFFICER BOUILLON: Certainly.

2 MR. DeCUIR: One thing to look at, I
3 believe, is that first, and this point was made by
4 Ms. Crockett, it was the applicant who developed
5 the line of inquiry on cross-examination asking
6 the witness to compare the marginal cost of the
7 Three Mountain thermal project versus a
8 hydroelectric project.

9 And when the answer was that the
10 hydroelectric project would have a lower marginal
11 cost, I think the implication of the line of
12 questioning presented by the applicant is that you
13 shouldn't worry about curtailment because in that
14 circumstance where there is plentiful
15 hydroelectric power, Three Mountain won't be in a
16 position to win the auction. And therefore you
17 won't have environmental consequences.

18 So, I would think in fairness that it
19 might be appropriate to permit the intervenor, the
20 Burney Resources Group, a question or two along
21 this line in response to what the applicant has
22 presented.

23 HEARING OFFICER BOUILLON: I'm going to
24 allow Ms. Crockett to proceed, as Mr. DeCuir
25 suggests, a question or two. But I would ask you,

1 please, Ms. Crockett, to try and make it relevant
2 to the environmental effect.

3 BY MS. CROCKETT:

4 Q Well, then during these periods of
5 curtailment these plants that would be run, you
6 indicated that one of the plants had been
7 basically grandfathered in under the air impacts.

8 And so, even though you have a limit of
9 150 pounds a day, the actual Modesto area would
10 not expect this 150 pounds per day of emissions,
11 is that correct? Under normal situations?

12 A I'm not clear, if the plant wasn't
13 there --

14 Q No, if the plant -- if the curtailment
15 didn't come into effect this plant would not have
16 to run. During periods of curtailment you have to
17 run your peaking plant and your follow-load plant,
18 is that correct?

19 A That's correct.

20 Q So it's during these periods of
21 curtailment that there would be environmental
22 impacts because of the extra additions to the air
23 impacts?

24 A Yes.

25 Q As you had stated earlier. That is

1 basically what I was getting to.

2 MS. CROCKETT: Thank you.

3 PRESIDING MEMBER LAURIE: Mr. Bouillon,
4 I'd like to ask the witness a question to clarify
5 my understanding of where this testimony might be
6 going.

7 HEARING OFFICER BOUILLON: Certainly.

8 EXAMINATION

9 BY COMMISSIONER LAURIE:

10 Q It has been your testimony that this
11 proposed project will, or is likely to, cause
12 curtailment to the system?

13 A It will contribute to that fact, yes.

14 Q And what else will contribute to that
15 fact?

16 A Any more generation that's added onto
17 the transmission line.

18 Q Okay, so it's not this project, it's
19 every new electron that's added to the system?

20 A I would say yeah, especially midway.
21 Not all the way up on the other end. I know the
22 question was asked earlier about if the plant was
23 up in Oregon would that make a difference.

24 Q Okay, so is your testimony that this
25 plant would simply contribute to a cumulative

1 total impact?

2 A Yes.

3 Q Okay, to what extent would this plant
4 contribute, in light of what you know about future
5 generation applications in the State of
6 California, 10 percent, 20 percent, 30 percent, 50
7 percent?

8 MR. DeCUIR: If you know.

9 MR. SALYER: I don't know.

10 PRESIDING MEMBER LAURIE: Okay.

11 BY PRESIDING MEMBER KEESE:

12 Q Mr. Salyer, you mentioned derating in
13 your opening statement?

14 A Yes.

15 Q Were you suggesting that the building of
16 this plant would result in a derating of the line
17 coming down from the north, of the COI or
18 whatever?

19 A No. My point is right now we're
20 routinely seeing derating of the line each season.
21 There are studies done, WS --

22 Q What does Burney Mountain Power have to
23 do with that?

24 A It's just another contributing factor.

25 Q To derating?

1 A Yes. Well, it's competing use is what
2 it is.

3 Q I understand it's a competing use. That
4 seems perfectly clear here, --

5 A Yeah.

6 Q -- that we're talking about competing
7 uses, and the addition of additional generation
8 sources as competing for the line could result in
9 a curtailment of your specific contracts.

10 But I fail to see how the existence of
11 Burney results in a derating of the line. The
12 line is derated by reliability agencies for other
13 purposes, and the derating may result in a
14 curtailment.

15 But the existence of Burney will not --
16 I mean I fail to understand how the existence of
17 the Burney Power Plant will result in a derating
18 of the line. Do you see it -- can you help me on
19 that?

20 A Yeah, I understand your question. When
21 they do a derating and they look at a lot of
22 different factors in the study. I mean one of the
23 things they're going to be looking at is the
24 generators plugging in and where they plug in on
25 this equation. And that would factor into the

1 derating.

2 MR. DeCUIR: You might be helped if you
3 looked at it technically. Let's say the location
4 of the generator caused a problem with frequency
5 criteria. Let's say the location of the generator
6 caused a problem with voltage criteria. Perhaps
7 that would assist you in responding correctly to
8 the Committee.

9 MR. SALYER: Yeah, Mr. DeCuir makes a
10 good point. When you do studies you plug in your
11 generation wherever it sits. And in the studies
12 you look at frequency, you look at stability
13 criteria, you look at overloads.

14 And when you've got a concern in any one
15 of those areas that could contribute to your --
16 BY PRESIDING MEMBER KEESE:

17 Q Would you say that this contributes to
18 derating, is minor compared to the contribution
19 that Burney would make to curtailments, which I
20 think was your -- I mean is the significance of
21 the Burney Power Plant on derating less than the
22 significance of Burney on curtailments?

23 A I don't know the answer to that.

24 PRESIDING MEMBER KEESE: Thank you.

25 HEARING OFFICER BOUILLON: Mr. DeCuir, I

1 notice that it's shortly after 12:00. Do you have
2 an extensive redirect?

3 MR. DeCUIR: No, I don't have an
4 extensive redirect. I would estimate it would
5 take seven or eight minutes.

6 HEARING OFFICER BOUILLON: Well, pretty
7 hard to ask the other parties what their recross
8 would be, but they don't know what your questions
9 are.

10 MR. DeCUIR: Sure.

11 HEARING OFFICER BOUILLON: Let's try and
12 continue with this witness and complete him before
13 we take a lunch break.

14 MR. DeCUIR: Thank you, everybody, for
15 your indulgence. I'll be as brief as I can.

16 REDIRECT EXAMINATION

17 BY MR. DeCUIR:

18 Q Mr. Salyer, both Mr. Ratliff and Ms.
19 Cottle inquired to some extent about the
20 compliance of the Modesto Irrigation District with
21 its air quality permits. And you assured them
22 that you were always in compliance.

23 It is implied, I think, in that question
24 or that line of questioning, that compliance is
25 all you care about.

1 Would you explain to the Committee how
2 you can fully comply with all of the requirements
3 and all of the aggregate sums of compliance
4 criteria in operating your power plants, but still
5 be put into a position when the air is hazy and
6 the temperature is hot, when you don't want to run
7 that power plant when you could have your power
8 from the Northwest? Would you flesh out the
9 details of that?

10 A Sure. There are many times when we
11 would be importing our full capability on the COI,
12 which includes our BPA contract, we have an ENRON
13 contract. We make a lot of spot power purchases
14 up in the Northwest. And we don't run our local
15 generation. We have a permit to do it, it's not a
16 problem to run it, but we don't. So at that time
17 we are not adding to the cumulative air impacts.

18 Then when you get into situations where
19 there are curtailments, or congestion, where we
20 are not able to import all of our purchase power
21 from the Pacific Northwest, we would run our local
22 generation and we would run within the limits of
23 all of our permits, but we would be contributing
24 to the local air quality.

25 And, as I mentioned earlier in my

1 testimony, it's not just in MID, it's the other
2 users, too, that are curtailed, the other TANC
3 members that get in the same situations where they
4 run their local generation.

5 Q And the local generation of the other
6 TANC members such as the NCPA members, includes
7 considerable number of combustion turbines or
8 thermal units, isn't that right?

9 A Yes, that's correct.

10 Q Both of the questions, or the main
11 topics of both sets of questions from the
12 Committee centered on really very very technical
13 issues.

14 Would you explain to the Committee that
15 the technical answers to many of those kinds of
16 questions should have been available before today
17 so that they could be considered.

18 Would you tell the Committee what you
19 have looked at in terms of studies, and what those
20 studies have said remains to be done?

21 A Yeah, I know there was a PG&E study,
22 there was the CDC study was done that I've
23 reviewed.

24 And in both of those studies they talked
25 about, I don't have the exact terminology, but I

1 know there's a final study that has to be done.

2 And in this final study that's where
3 things like remedial action schemes will be
4 considered, or any other operational solutions.

5 Q And so the answer to the question, for
6 example, from Commissioner Keese about could you
7 give us a percentage of the time that you would
8 see curtailments or deratings, or how does this
9 work, those questions should be examined, but they
10 haven't been, as far as you know, isn't that
11 right?

12 A That's correct, once all the final
13 details are gathered where they can do the final
14 study, then those types of answers could be
15 ascertained.

16 Q And as far as you know there is no
17 remedial action scheme, isn't that right?

18 A To my knowledge there is no remedial
19 action scheme.

20 Q And there's been no proposal on load
21 shedding by Three Mountain Power, that's true,
22 too?

23 A To my knowledge there's not, no.

24 MR. DeCUIR: All right. Those are my
25 questions, thank you.

1 HEARING OFFICER BOUILLON: Ms. Cottle.

2 RECROSS-EXAMINATION

3 BY MS. COTTLE:

4 Q Yeah, I'd like to ask you a question
5 about Mr. DeCuir's question asking you how you can
6 fully comply with your permits and still be in a
7 position to be operating when the air is hazy and
8 you didn't plan to operate, is that right?

9 A Yes.

10 Q And can you tell me if, for some reason,
11 you weren't able to import all the power that you
12 had purchased from the Pacific Northwest, would
13 your decision to run your local generation be
14 based on economic considerations?

15 In other words, if it were the least
16 cost resource available to Modesto Irrigation
17 District would you run those resources when you
18 couldn't get your imports across?

19 A If that was the least cost resource and
20 there was no other resource of equal value that
21 was available, then that would be the case.

22 Q And when you make that decision, and
23 you're considering whether it's a least cost
24 resource, do you also consider whether the air is
25 hazy and it's hot outside?

1 A Again, given all things being equal, if
2 we had a resource that was, say, hydro, and say
3 the marginal cost on that was the same, we would
4 run that. But if the thermal source was
5 definitely economically cheaper than we would run
6 with that.

7 Q So you'd run it if it was cheaper even
8 if it was hot and hazy outside?

9 A Yes.

10 MS. COTTLE: Thank you.

11 MR. DeCUIR: I don't have any more.

12 MR. RATLIFF: I have a couple of
13 questions.

14 RE CROSS-EXAMINATION

15 BY MR. RATLIFF:

16 Q Mr. Salyer, we discussed today both
17 economic impacts and potential environmental
18 impacts which you suggest may be caused by
19 interconnection with Three Mountain Power, and by
20 congestion on the COI.

21 All of that presumes that there will be
22 some interference with TANC's transfer capability
23 on the COI, is that correct?

24 A That's correct.

25 Q And if operating procedures are put in

1 place which would prevent any curtailment of your
2 transfer capability none of this would occur, is
3 that correct?

4 A That's correct.

5 Q And those operating procedures have not
6 yet been developed, is that correct?

7 A That is correct.

8 Q And who is developing those operating
9 procedures?

10 A I believe that would be between the ISO,
11 PG&E and the applicant.

12 Q And is TANC sitting at the table on
13 those discussions currently?

14 A I'm not sure.

15 MR. DeCUIR: I think Mr. Larsen
16 testified that TANC has now been included in those
17 discussions, but he hasn't seen anything about
18 them yet.

19 BY MR. RATLIFF:

20 Q Is any other TANC member participating
21 in those discussions and privy to those
22 discussions, to your knowledge?

23 HEARING OFFICER BOUILLON: If you would
24 direct your questions to the witness. Mr.
25 DeCuir's not testifying.

1 MR. RATLIFF: We want to swear
2 Mr. DeCuir and get him up here so we can cross-
3 examine him, too.

4 (Laughter.)

5 BY MR. RATLIFF:

6 Q To your knowledge do you know of any
7 other TANC members who are participating in those
8 discussions?

9 A To my knowledge, no.

10 Q Do you know if anyone's privy to some of
11 the considerations that are being made concerning
12 those operating procedures?

13 A I don't know.

14 Q Do you think --

15 MR. DeCUIR: Wait, wait. Mr. Hearing
16 Officer, I think the witness' first response
17 before I tried to volunteer some information was
18 that he did not know the answer to the primary
19 question, which is is TANC now included or a
20 member of TANC included in these discussions.

21 So, I don't know if we can get more out
22 of him.

23 HEARING OFFICER BOUILLON: Are you
24 making an objection?

25 MR. DeCUIR: That is an objection, but I

1 didn't want to say it that way. I wanted to say
2 it more --

3 (Laughter.)

4 HEARING OFFICER BOUILLON: It's
5 perfectly okay to make an objection.

6 MR. RATLIFF: I'm willing to stipulate
7 that there seems to be a lot here that is not
8 known on this score by the witness and by TANC.

9 My only -- well, I'll let that go.
10 We'll take that up with a different witness.

11 And I don't have any more questions.

12 HEARING OFFICER BOUILLON: Mr. Wolfe, I
13 assume you're still out, right?

14 MR. WOLFE: Yes, no questions.

15 HEARING OFFICER BOUILLON: And
16 incidentally, Mr. Evans, I haven't asked you.
17 I've assumed you have no questions for this
18 witness?

19 MR. EVANS: No.

20 HEARING OFFICER BOUILLON: All right.
21 Ms. Crockett, do you have any recross that isn't
22 friendly recross?

23 MS. CROCKETT: There was just one quick
24 question.

25 //

1 RECROSS-EXAMINATION

2 BY MS. CROCKETT:

3 Q I was just going to ask that if the PG&E
4 facility final studies were done would most of
5 these questions be answered?

6 A I believe so, yes.

7 MS. CROCKETT: Thank you.

8 HEARING OFFICER BOUILLON: I believe
9 that concludes the cross-examination and redirect
10 of this witness.

11 Do you want to offer --

12 MR. DeCUIR: Could I move the exhibit 52
13 into evidence?

14 HEARING OFFICER BOUILLON: Any
15 objection?

16 MS. COTTLE: No objection.

17 HEARING OFFICER BOUILLON: It will be
18 admitted.

19 We've reached the end of the lunch hour,
20 so nobody gets to eat.

21 (Laughter.)

22 HEARING OFFICER BOUILLON: How about
23 1:30, would that be --

24 PRESIDING MEMBER KEESE: 1:30, come back
25 at 1:30.

1 (Whereupon, at 12:15 p.m., the hearing
2 was adjourned, to reconvene at 1:30
3 p.m., this same day.)

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1 AFTERNOON SESSION

2 1:33 p.m.

3 PRESIDING MEMBER KEESE: It's just about
4 1:30. As we get this started let me just make a
5 comment for the Committee on behalf of the motion
6 by the Burney Resources Group.

7 Even though there are indications that
8 other parties are prepared to comment on this, the
9 Committee members feel very uncomfortable not
10 having seen any of this material, not having time
11 to look it over.

12 And since we do have another date set
13 for continuation of these kind of items, we're
14 going to just take this up at the next meeting.
15 It implies nothing with regard to content. We
16 just are going to feel more comfortable if the
17 Committee members have been able to look at it
18 before we see this.

19 So, with that, we will decide the two
20 issues, geological and paleontological resources
21 and facility design will be taken up at our next
22 meeting, Tuesday, March 21.

23 With that, shall we continue?

24 HEARING OFFICER BOUILLON: Yes, I'd like
25 to make one comment about that. It is my

1 understanding that Burney Resources Group has
2 filed that report with our docket office, is that
3 correct?

4 MS. CROCKETT: Yes, it is.

5 HEARING OFFICER BOUILLON: All right.

6 So then we will have access to that.

7 And I would like to advise all parties
8 that they can put on whatever questions to any
9 witness that does testify on those areas about the
10 content of that report.

11 Whether or not it will make any
12 difference in the conclusions we leave up to you.
13 But we will deal with that issue on the 21st.

14 I think we're ready to continue now with
15 transmission system engineering. Is the ISO
16 witness here?

17 MS. COTTLE: Can I ask a question,
18 please? Will we be permitted to file a response
19 to that Burney Resources Group's motion in writing
20 before the next hearing?

21 HEARING OFFICER BOUILLON: Yes. I
22 understood from an informal conversation I had
23 with the staff that they intended no response.
24 And that it could be done through their testimony.

25 If you wish to file a written response,

1 certainly, but I would like it filed in sufficient
2 time prior to the hearing so that the other
3 parties have a chance to formulate some cross-
4 examination.

5 So, would you suggest a date to me?
6 Given that that's two weeks from today.

7 MS. COTTLE: Would a week in advance be
8 sufficient time?

9 HEARING OFFICER BOUILLON: Excuse me?

10 MS. COTTLE: I asked whether a week in
11 advance of the hearing would be sufficient.

12 HEARING OFFICER BOUILLON: I would think
13 so, yes.

14 MS. COTTLE: Okay.

15 HEARING OFFICER BOUILLON: Okay, so
16 we'll have whatever written response you plan to
17 file by the 14th.

18 MS. COTTLE: That's correct.

19 PRESIDING MEMBER LAURIE: Well, wait a
20 minute. Are we talking about the motion for
21 continuance of scheduled topic geology? Is that
22 the motion that we're talking about?

23 HEARING OFFICER BOUILLON: I was
24 particularly concerned with the response to the
25 content of the --

1 PRESIDING MEMBER LAURIE: Well, okay.
2 You asked whether you can file a response to the
3 motion. We've indicated that we're going to hear
4 the topic on the 21st.

5 MR. RATLIFF: I interpreted what the
6 Committee had previously stated to mean that you
7 had granted the motion to continue the topic to a
8 future date.

9 PRESIDING MEMBER LAURIE: Well, whether
10 we granted it or denied it, you can interpret it
11 as you are. The Committee's going to hear the
12 matter on the 21st.

13 MR. RATLIFF: So staff doesn't intend to
14 file any response, given that you're going to hear
15 it anyway, so.

16 MS. COTTLE: I guess maybe we're a
17 little confused, because I believe that the
18 petition asked the Committee to move this matter
19 into the phase two hearings, is that correct?
20 Maybe Ms. Crockett can address that?

21 HEARING OFFICER BOUILLON: That is what
22 they requested. That's not going to happen. The
23 issue is going to be heard on the 21st.

24 MS. COTTLE: Okay, then, just to
25 clarify, we will have hearings on the subject of

1 geology --

2 PRESIDING MEMBER KEESE: We'll have
3 hearings on the --

4 MS. COTTLE: -- on the 21st?

5 PRESIDING MEMBER KEESE: Subject to my
6 being advised better here, we're going to have a
7 hearing on the motion on that date. If the motion
8 is denied, then we will take the stipulated, we
9 will treat it exactly as we're treating this one.
10 If the motion is granted, then we -- which is to
11 put it over to the evidentiary phase, then we
12 would hear it then.

13 HEARING OFFICER BOUILLON: I've just
14 been informed by the Public Adviser that somehow
15 we're not on line, so there's a problem with the
16 system. We may have to start this all over.

17 MS. COTTLE: Can I ask my other question
18 then?

19 HEARING OFFICER BOUILLON: Off the
20 record.

21 (Off the record.)

22 PRESIDING MEMBER KEESE: Now that we're
23 back on the record officially we'll start over,
24 and, counsel, would you like to explain what the
25 Committee --

1 HEARING OFFICER BOUILLON: My
2 understanding what the Committee has ruled with
3 respect to Burney Resources Group --

4 (Off-the-record speakerphone
5 adjustments.)

6 HEARING OFFICER BOUILLON: My
7 understanding of the conclusion that the Committee
8 has come to with regard to the motion filed by the
9 Burney Resources Group for a continuance of the
10 area of geology to the second phase of these
11 hearings is that the motion is going to be granted
12 in part and denied in part.

13 We're not going to continue it until the
14 second round of hearings. We are continuing it
15 until March 21st, during which time the witnesses
16 will be heard, and that report will be taken into
17 consideration with regard to cross-examination.

18 If the parties wish to file any written
19 responses to that report, they should do so by
20 close of business next Tuesday, March 14th.

21 MS. COTTLE: Okay, so we should treat
22 this ruling as removing the subject from the list
23 of topics that would be submitted by stipulation.
24 And we would be planning to submit direct
25 testimony on this subject, is that --

1 HEARING OFFICER BOUILLON: That's
2 correct.

3 MS. COTTLE: -- the intent of the
4 ruling?

5 HEARING OFFICER BOUILLON: Yes, that is
6 correct.

7 PRESIDING MEMBER LAURIE: And to the
8 extent that you desire to do so.

9 MR. RATLIFF: Commissioner, it's my
10 understanding from discussing it with BRG that
11 they may want to file their own testimony in light
12 of the report.

13 You need to check with BRG to see if
14 that's the case, but if it is, then we probably
15 ought to have some date for that testimony.

16 MS. COTTLE: We would ask that it be the
17 same date,

18 PRESIDING MEMBER LAURIE: My
19 inclination, Mr. Bouillon, is I'm not going to set
20 aside additional time until I see the report,
21 until there's some indication as to the relevancy
22 of the report.

23 Once the report is introduced and the
24 Committee determines, as a matter of fact, that
25 additional testimony would be permitted, well,

1 then we can get additional testimony.

2 I can tell you I'm not prepared today to
3 set aside a whole day or a whole hour or a whole
4 anything else on a document that I've never seen,
5 and that I have no idea whether or not it's even
6 relevant.

7 So, my suggestion is that this subject
8 be presented on the 21st. Those who want to
9 submit written testimony can submit written
10 testimony. Those who want to submit a witness can
11 submit a witness. Everything else is going to be
12 subject to stipulation.

13 And, if, at the end of the testimony
14 regarding that report we determine that the
15 parties desire to submit additional evidence in
16 regards to that report, then we can set up
17 additional time to do that.

18 And that's my recommendation.

19 MR. RATLIFF: I understand all the other
20 parties that are going to file testimony have
21 filed testimony. It's only if Burney Resources
22 Group should choose to file, they would need to
23 file, I would hope, prior to that day to give the
24 other parties an opportunity to see what they
25 file.

1 MR. WOLFE: Well, CURE, who hasn't
2 reviewed this report, either, may elect to file
3 testimony. We'd be perfectly prepared to do it by
4 the 14th, if that's -- that's how I'm hearing the
5 Committee's decision.

6 HEARING OFFICER BOUILLON: There is no
7 ironclad rule except as maybe in our notice of
8 evidentiary hearing that all testimony has to be
9 in writing.

10 It's much better if it is. And so, if
11 anybody wants to put on other witnesses, strictly
12 about the content of that report, if they can do
13 that by March 14th, along with a statement of
14 reason about why it's being filed late, we'll
15 consider it on the 21st and see where we go.

16 MS. CROCKETT: May I ask our geologist
17 if that timeframe is going to -- if it presents
18 any problems? I have no idea. He has prior
19 commitments. We just discovered this information
20 over the weekend. He's on the phone now. Could I
21 ask him?

22 HEARING OFFICER BOUILLON: Mr. Pfiffer,
23 can you hear us?

24 MR. PFIFFER: Yes, I can hear you.

25 MS. CROCKETT: John, the Committee is

1 requesting that any information on the report be
2 filed no later than the 14th in writing. And if
3 there's to be any testimony on the report that
4 would also be filed by the 14th.

5 MR. PFIFFER: Okay.

6 MS. CROCKETT: Is that a do-able
7 situation?

8 MR. PFIFFER: Did you say is that a do-
9 able situation?

10 MS. CROCKETT: For your schedule.

11 MR. PFIFFER: Yes, by my schedule it is.

12 MS. CROCKETT: Okay, thank you.

13 HEARING OFFICER BOUILLON: All right,
14 we're ready to proceed then?

15 PRESIDING MEMBER KEESE: Right. What
16 we're clarifying is that we have a motion here in
17 which you're suggesting that this is new
18 information, not available to you, at least, until
19 recently. And the question is is it new to
20 anybody else, or is this old information. And
21 should we grant the motion.

22 And so you're going to suggest as to
23 why, that's what the first part of the testimony
24 will be on.

25 MS. CROCKETT: Okay. I misunderstood.

1 I thought you wanted clarification --

2 PRESIDING MEMBER KEESE: Let me consult
3 with --

4 (Pause.)

5 PRESIDING MEMBER KEESE: Okay, the
6 testimony on the report will be taken on the 21st.

7 HEARING OFFICER BOUILLON: All right.

8 Let's continue now with the transmission system
9 engineering. Is there a witness from the ISO?

10 MR. RATLIFF: Yes, staff's first witness
11 is Peter Mackin of the Independent System
12 Operator. Mr. Mackin needs to be sworn.

13 Whereupon,

14 PETER MACKIN

15 was called as a witness herein, and after first
16 having been duly sworn, was examined and testified
17 as follows:

18 DIRECT EXAMINATION

19 BY MR. RATLIFF:

20 Q Mr. Mackin, did you prepare the
21 testimony entitled, transmission system
22 reliability, interconnection of the Three Mountain
23 Power Project, for this proceeding?

24 A Yes, I did.

25 Q Is that testimony true and correct to

1 the best of your knowledge and belief?

2 A Yes, it is.

3 Q Before we go any further could you, for
4 the benefit of all of us really, summarize your
5 duties and your position at the Cal-ISO?

6 A I'm a grid planning engineer, and my
7 responsibilities include making sure that
8 interconnection of new generation to the grid is
9 done in a reliable manner; to make sure that new
10 facilities are planned and put in place to
11 maintain reliability of the ISO-controlled grid;
12 and also to implement tariff language and other
13 protocols to maintain system reliability.

14 MR. RATLIFF: Is everyone able to hear
15 Mr. Mackin sufficiently? Okay.

16 MS. CROCKETT: Can I interject for just
17 a moment? There appears that someone on the phone
18 is trying to connect. I think Mr. Pfiffer may not
19 be clear that we don't need him, I'm not sure. I
20 thought I heard him say hello.

21 Okay, thanks. Thank you.

22 BY MR. RATLIFF:

23 Q So, Mr. Mackin, have you testified in
24 other Energy Commission siting cases?

25 A Yes, I have.

1 Q Which cases were those?

2 A The Pittsburgh District Energy Facility
3 and the Delta Energy Center.

4 Q Are you generally familiar with the
5 operation of the California grid?

6 A Yes, I am.

7 Q Could you summarize briefly your
8 testimony?

9 A Yes. My testimony describes how we do
10 reliability analysis at the ISO, what the ISO is,
11 and what we're responsible for.

12 And it also addressed specifically the
13 impacts that the Three Mountain Power Project
14 would have on the ISO-controlled grid, and what
15 reinforcements may be necessary to mitigate those
16 reliability impacts.

17 Q Were you here today when we heard
18 testimony from the two TANC witnesses?

19 A Yes, I was.

20 Q Did you hear the testimony concerning
21 the impacts on reliability that were presented by
22 the TANC witnesses?

23 A Yes, I did.

24 Q Did you agree or disagree with that
25 testimony?

1 A I --

2 Q Did you disagree with that testimony or
3 agree with it?

4 A I disagree.

5 Q Would you explain why?

6 A The ISO is -- one of the
7 responsibilities of the ISO given to us through
8 Electric Industry Restructuring and AB-1890 is to
9 insure the reliability of the ISO-controlled grid.
10 And we take that responsibility very seriously.

11 And we will not allow any new generator
12 to interconnect to the grid if so doing will cause
13 a degradation in reliability.

14 Q Did you hear the testimony that there
15 would be congestion on the COI?

16 A Yes.

17 Q Why will that not cause a reliability
18 problem?

19 MR. DeCUIR: Objection, you're leading
20 the witness.

21 BY MR. RATLIFF:

22 Q Will that cause a reliability problem?

23 A Congestion impacts are not the same as
24 reliability impacts. And increased congestion on
25 the California/Oregon Interface or Intertie will

1 not in any way degrade the reliability of the ISO-
2 controlled grid.

3 MR. RATLIFF: Could you speak up, I'm
4 having a little difficulty, myself, hearing you.
5 I don't know if it's a problem with the speaker
6 or -- I want to make sure those of us who are hard
7 of hearing can hear.

8 MR. MACKIN: Yeah, I'm trying not to
9 lean over and have the mike -- if I can get the
10 mike this way, it will be better.

11 MR. RATLIFF: Is the mike moveable?

12 MR. MACKIN: It won't come out of the
13 desk.

14 MR. RATLIFF: Okay. Commissioners, at
15 this point I think I neglected to state in this
16 area I think one of the difficulties with this
17 issue is the formality of the proceedings, itself.
18 And the participation, perhaps, of my profession,
19 and it doesn't really make that any easier.

20 What I would suggest is that if there
21 are any questions that you have at any time I
22 invite you to go ahead and interrupt and try to
23 get answers to your questions, as well, if there's
24 something you do not understand.

25 Because I would like to make sure that

1 all questions do get answered to your
2 satisfaction.

3 BY MR. RATLIFF:

4 Q Did you hear the testimony concerning
5 the transfer capability of the COI and testimony
6 to the effect that that transfer capability on the
7 COI would be adversely affected for the TANC
8 members by interconnection with Three Mountain?

9 A Yes, I did.

10 Q Do you agree or disagree with that?

11 A I disagree.

12 Q Could you explain why?

13 A The TANC members, as they've explained
14 earlier, have existing contracts and encumbrances
15 which entitle them to use of the COI.

16 And the way the California ISO runs its
17 markets, existing contracts and encumbrances are
18 removed from the available transmission capacity
19 before congestion mitigation is run.

20 So, the effect of that is that any
21 existing rights that a transmission party has to
22 transmission is set aside, then congestion
23 management is run and congestion is cleared.

24 So, if a party has an existing contract
25 they should not be affected by congestion.

1 Q So you're testifying --

2 HEARING OFFICER BOUILLON: Excuse me,
3 Mr. Ratliff, let me interrupt you. You seem to be
4 asking him matters of opinion, and you seem to
5 make an effort to qualify him as an expert, but
6 you have not formally made that offer, nor offered
7 any of the other parties the opportunity to voir
8 dire him on his qualifications.

9 Would you like to do that before you
10 proceed?

11 MR. RATLIFF: I thought that was
12 implicit in my request that he explain his
13 qualifications. I didn't know that anyone was
14 questioning whether he is an expert to testify on
15 this matter.

16 HEARING OFFICER BOUILLON: I don't know
17 that they are, either, but you must give them the
18 opportunity to do so.

19 MR. RATLIFF: Okay, let's take that
20 opportunity now then. Would anyone care to
21 stipulate as to the expertise of the witness, or
22 are we going --

23 MR. DeCUIR: TANC will stipulate to his
24 expertise.

25 MS. COTTLE: The applicant will, also.

1 MR. RATLIFF: Thank you.

2 MS. CROCKETT: Burney Resources Group
3 will stipulate.

4 HEARING OFFICER BOUILLON: All right.
5 Excuse me for the interruption.

6 MR. RATLIFF: Sure.

7 BY MR. RATLIFF:

8 Q Mr. Mackin, relative to that impact on
9 the transfer capability of the COI, the COI, are
10 there periods of time when the COI is not fully
11 loaded?

12 A There are quite a few.

13 Q And what percentage of the time would
14 you estimate that it is fully loaded?

15 A What percentage is the COI fully loaded?

16 Q Yes.

17 A This is a guess, but --

18 MR. DeCUIR: Objection, is it a guess?

19 MR. MACKIN: -- 1 or 2 percent.

20 HEARING OFFICER BOUILLON: I'm going to
21 have to sustain that objection based on a guess.
22 If it's a --

23 MR. MACKIN: Well, if --

24 HEARING OFFICER BOUILLON: -- confusion
25 of terms for reasonable estimate, we'd probably

1 accept it.

2 MR. MACKIN: Well, I can clarify a
3 little bit. I have reviewed two and a half years
4 of flow data from the Bonneville Power
5 Administration, and I have the data in my
6 briefcase, but, you know, I couldn't give you a
7 precise number, but I know from looking at
8 everyone of those months that the number of hours
9 of the years -- or the number of hours of the
10 months where congestion is occurring is very very
11 small.

12 BY MR. RATLIFF:

13 Q Would you say less than 5 percent?

14 A Absolutely.

15 Q In terms of the utilization of TANC of
16 its one-third share of the COI, is that fully
17 utilized?

18 A I wouldn't be able to say. I don't
19 think so, but I have no knowledge --

20 MR. DeCUIR: Objection --

21 MR. MACKIN: -- of TANC's --

22 MR. DeCUIR: -- if he would not be able
23 to say and has no knowledge then the answer should
24 not be allowed.

25 MR. RATLIFF: You don't want him to be

1 able to say that he doesn't know the answer, or --

2 MR. DeCUIR: He said he doesn't know the
3 answer, and then he proceeded to guess.

4 HEARING OFFICER BOUILLON: The answer
5 will stand for what it's worth.

6 BY MR. RATLIFF:

7 Q Concerning the prior testimony that we
8 heard concerning hydro spill, would there be any
9 hydro spill in California as a result of the
10 interconnection of the Three Mountain Project?

11 A I don't believe so.

12 Q Why is that?

13 A Because as I think other parties have
14 testified, the northern California hydro, or any
15 hydro in Calif conditions, it is a must-take
16 resource in the ISO markets, and it has priority
17 to get access to the grid.

18 Q In terms of hydro spill in the
19 Northwest, do you think that would occur as a
20 result of Three Mountain interconnection?

21 A I don't believe so.

22 Q Why is that?

23 A Hydro resources are traditionally the
24 lowest marginal units on the system, and I would
25 anticipate that the lowest cost units would have

1 priority access just because they're cheapest,
2 they would get on the grid first, and that other
3 resources in the Northwest such as coal or natural
4 gas would curtail before the hydro would.

5 Q Now, this morning all of the testimony
6 that we heard, according to I think both Mr.
7 Salyer and Mr. Larsen was contingent on the idea
8 that there would be some constraint on the COI as
9 a result of the interconnection of Three Mountain
10 Power, a constraint on the ability of the system
11 to carry power to the TANC members.

12 Do you think that kind of constraint
13 will be created by the interconnection of Three
14 Mountain Power?

15 A Well, to clarify, that was kind of a
16 two-part question in there. There will be impacts
17 on how much power can be delivered to California
18 based on the dispatch of the Three Mountain Power
19 Project.

20 However, I don't believe that those
21 impacts will affect TANC.

22 Q Why do you not believe that they will
23 impact TANC?

24 A Because, as I mentioned earlier, they
25 have existing contracts that entitle them to use

1 of the COI, and because of the way our market's
2 run, the existing contracts have priority and are
3 separated out before any congestion is mitigated
4 on the COI.

5 Q So in terms of -- let me move then to
6 where we are in terms of developing the protocols
7 for how the system will be operated with the new
8 generation source presented by Three Mountain
9 Power.

10 There is currently a study plan, am I
11 correct, for the detailed facilities study?

12 A Yes.

13 Q And who are the participants who will
14 discuss that study plan and determine what is in
15 it?

16 A I believe the study plan has been
17 finalized and agreed to. The participants, to the
18 best of my knowledge, were the ISO, Three Mountain
19 Power and PG&E.

20 Q Did TANC or WAPA participate in that?

21 A They were present at a meeting where the
22 study plan was discussed. I don't recall if the
23 study plan had been finalized before that or not.
24 But they did have input, they did review the study
25 plan, Western and TANC.

1 Q Will they participate in any way in the
2 study, itself?

3 A I'm sorry?

4 Q Will they participate in the study,
5 itself?

6 A PG&E, as the transmission owner, is
7 going to perform the study work. They can have an
8 opportunity, if the parties that contracted with
9 the study, or contracted for the study agree, they
10 can have input and review of the study results.

11 Q Is PG&E the author of what is sometimes
12 called the SMOP, the special mitigation operation
13 procedures?

14 A I believe they are.

15 Q Have they done a draft of that document?

16 A Yes, they have.

17 Q Has it been provided to TANC?

18 A Yes, it has.

19 Q And what person was in receipt of that?

20 A Maury Kruth.

21 Q Who?

22 A Maury Kruth.

23 Q Okay, and what is in that draft SMOP
24 with regard to the protection of TANC's transfer
25 capability on the COI?

1 A The special mitigation operating
2 procedure or SMOP, or SMOP essentially describes
3 the procedure that PG&E -- well, the procedure
4 that PG&E will instruct the ISO to implement in
5 enforcing or taking care of the existing contracts
6 on the COI.

7 And what that procedure specifies is
8 that the Three Mountain Power Project, the
9 transfer capability of the COI will be determined
10 with the Three Mountain Power Project at zero
11 dispatch, as if it were not there.

12 And the allocation that TANC is to
13 receive is calculated on that basis. And then,
14 after that allocation is removed from the transfer
15 capability, then Three Mountain Power is then free
16 to compete for uses that are remaining on the COI
17 to get their power to market.

18 Now, the draft that's currently out is a
19 little more restrictive than that. It essentially
20 says that Three Mountain Power can only compete
21 for, you know, that congestion has to remain the
22 same and Three Mountain has to curtail congestion
23 is greater than before Three Mountain Power.

24 However, we're currently discussing that
25 issue with PG&E, and it hasn't been resolved at

1 this point.

2 Q Are you convinced that whatever SMOP is
3 ultimately adopted that it will protect TANC's
4 transfer capability?

5 A Yes, I am.

6 Q And if that transfer capability is
7 protected will any of the environmental impacts or
8 operational impacts which are detrimental to TANC
9 which have been discussed today be avoided?

10 A Be avoided?

11 Q Yes.

12 A I believe they'd all be avoided.

13 Q Okay. With regard to a couple of other
14 things that have been discussed today, one of the
15 issues that was addressed by one of the prior
16 witnesses, I believe it was Mr. Salyer, he
17 testified that apparently the only real-time
18 alternative for the utility, for MID, if there
19 were congestion on the COI would be to use their
20 peakers.

21 Does that make sense to you?

22 A I guess it's one possible response. My
23 understanding of the way the system is to be
24 operated, there are minimum operating reliability
25 criteria that all utilities must adhere to. And

1 one of those criteria is that each utility must
2 carry enough reserves to meet the single largest
3 contingency on their system.

4 So for MID that would probably be their
5 loss of their share of the COI.

6 Q What would that be, by the way? Do you
7 have any idea what the share would be if there
8 were curtailment?

9 A I don't recall what the exact number is,
10 270 megawatts or so. But I don't know precisely.

11 Q But for MID it would be some portion of
12 that 270, is that right?

13 A Well, my impression was that was MID's
14 entitlement. But, again, because of the COA that
15 was discussed previously, there's a one-thirds,
16 two-thirds sharing of the curtailments.

17 So what would really happen is that if
18 273 megawatts of MID was curtailed, it wouldn't be
19 the whole thing, it would only be one-third,
20 because more than likely just one line would go
21 out, so one-third of their share would be
22 curtailed. And they would have to make up the
23 difference in reserves.

24 So they should be carrying, if they're
25 using their full entitlement, 273 megawatts, they

1 should be carrying one-third of that as reserves
2 on their system. Or contracting with other
3 parties for those reserves.

4 Q So one way to take care of those
5 reserves is through having generation available,
6 your own generation presumably?

7 A Yes.

8 Q But there are other ways of addressing
9 that reserve issue, other than having your own
10 generation?

11 A They could have reserves from other
12 parties.

13 Q Is it possible they could contract with
14 Three Mountain Power for that?

15 MR. DeCUIR: Objection. Mr. Chairman,
16 this particular question assumes facts that are
17 not in evidence, it assumes a hypothetical
18 condition, where the McClure and the other power
19 plant of MID don't exist.

20 And I think we're getting into a
21 speculative area where the witness has not yet
22 testified that he knows how MID operates, or what
23 its reserve requirements are. Is asked to
24 speculate about what's available in the market.

25 MR. RATLIFF: If I may, Commissioners, I

1 don't believe that's the case at all. I think I'm
2 merely asking this witness whether there are
3 alternatives to running peaker plants to provide
4 for coverage if there should be a curtailment.

5 And if we're talking about speculation I
6 think that this whole issue is one of great
7 speculation, and that's what this witness is
8 testifying --

9 MR. DeCUIR: That's argument, that's
10 argument.

11 (Pause.)

12 HEARING OFFICER BOUILLON: The Committee
13 will overrule the objection, the question will be
14 allowed.

15 BY MR. RATLIFF:

16 Q Do you have the question in mind?

17 A Could you repeat it for me?

18 Q If I can. The question had to do with
19 what are the alternatives available to a utility
20 such as MID in terms of providing alternative
21 power if there were to be a curtailment, this
22 theoretical curtailment that we're talking about
23 today?

24 A They can purchase their reserves. The
25 ISO runs ancillary services markets. They are

1 free to purchase reserves through our markets if
2 they so desire. They don't have to use their own
3 units.

4 Q And just to keep the issue straight
5 here, you're saying that those curtailments will
6 not occur in any case, is that what your prior
7 testimony was?

8 A The curtailments --

9 Q As a result of Three Mountain Power, I
10 should say.

11 A Correct.

12 Q Before we leave your testimony, Peter,
13 could you, just for the benefit of all of us,
14 clarify some of the terms that we've been using
15 repeatedly today, sometimes in a very misguided
16 way, I'm sure. The terms, I believe, are
17 curtailment, derated. We talked about the
18 transmission line being derated and we've also
19 talked about congestion.

20 Could you explain in some relevant sense
21 what those terms mean?

22 A Okay. Well, a derating would occur when
23 a facility -- normally a facility is rated under
24 the most optimistic conditions. And that rating
25 is used for commercial reasons to indicate what

1 the maximum capability of the facility is. But
2 it's not available under all scenarios or all
3 conditions.

4 So under the conditions where the rating
5 is reduced you would have what's known as a
6 derate. And it could be because a facility's out
7 of service, or a resource that was utilized to
8 rate the facility is not in service.

9 A curtailment is similar to a derate in
10 that the transfer capability of a path is reduced
11 because a facility's out of service.

12 And, let's see, what was the last term
13 we were supposed to define?

14 Q Congestion.

15 A Congestion. Congestion is --

16 Q Congestion and what the difference is
17 between congestion impacts and reliability
18 impacts.

19 A Okay, well, a congestion impact is an
20 impact that where more generation wants to use,
21 for example, a transmission line than can reliably
22 use the transmission facility.

23 But it's not the same as a reliability,
24 as the ISO uses the terms, a congestion impact is
25 something, it's a violation of reliability

1 criteria, but one that can be mitigated through
2 re-dispatch.

3 So if you can re-dispatch resources on
4 the system and eliminate the violation then we
5 consider that to be a congestion impact. If you
6 cannot, for example you site a new generator and
7 because of the increased fault due to that
8 generator, a circuit breaker is overloaded or
9 over-stressed. Then that's a reliability impact.
10 And so it can't be mitigated through re-dispatch,
11 it's there just because of the presence of the
12 generator.

13 Q In summary will this interconnection of
14 Three Mountain Power, would it create congestion
15 on the COI?

16 A It could, it could aggravate it.

17 Q And would it create reliability problems
18 with regard to the COI?

19 A No.

20 MR. RATLIFF: Thank you, I have no
21 further questions.

22 HEARING OFFICER BOUILLON: Do the
23 parties have a plan about how they'd like to
24 proceed with the applicant or would TANC like to
25 go first? I'll give you guys the option if you

1 can agree.

2 MS. COTTLE: I would have no objection
3 if TANC wants to go first.

4 MR. DeCUIR: I'll be amenable to
5 whatever anybody wants. I don't want --

6 HEARING OFFICER BOUILLON: Let me ask
7 the applicant, do you have any cross-examination?

8 MS. COTTLE: We have a few questions.

9 HEARING OFFICER BOUILLON: Go ahead. In
10 fact, let me tell the other parties that since
11 this testimony seems to be somewhat in
12 contradiction to the earlier testimony, I would
13 prefer all of the parties who have questions of
14 this witness would go before Mr. DeCuir so he
15 would have an opportunity to, in his questions,
16 cover all the answers elicited from this witness
17 by all of the parties.

18 MS. COTTLE: Okay.

19 CROSS-EXAMINATION

20 BY MS. COTTLE:

21 Q Mr. Mackin, I believe you testified
22 earlier that the ISO has an obligation to honor
23 TANC's existing contractual right to use the COI,
24 is that right?

25 A Yes, it is.

1 Q And just to clarify, when we say that
2 the ISO is obligated to honor that right, does
3 that mean that the ISO cannot allow any other
4 party to use TANC's allotted share of capacity on
5 the COI unless TANC releases it?

6 A That's true.

7 Q And will Three Mountain Power be
8 required to enter into a participating generator
9 agreement as a condition of interconnection?

10 A Yes, they will.

11 Q And does the participating generator
12 agreement require Three Mountain Power to comply
13 with the ISO tariff?

14 A Yes, it does.

15 Q Can you tell us, will the
16 interconnection of Three Mountain Power have any
17 effect on the ISO's obligation to honor TANC's
18 existing contractual right to use the COI?

19 A No, it won't.

20 Q Mr. Salyer had testified earlier that
21 the Three Mountain Power Project will negatively
22 affect transfer capability on the California/
23 Oregon Transmission Project and the COI, do you
24 remember that testimony?

25 A I think so, yeah.

1 Q Okay. In your opinion will the ISO
2 allow Three Mountain Power to affect transfer
3 capability on the COI to the detriment of TANC?

4 A No, we will not.

5 Q Now I'd like to refer to the CEC Staff's
6 testimony on transmission system engineering.
7 Staff's witnesses have recommended that Three
8 Mountain Power be required, as a condition of
9 certification, to meet all of the requirements
10 that are set out in condition of certification
11 TSE-1.

12 Have you reviewed those requirements?

13 A Yes, I have.

14 Q In your opinion is staff's proposed
15 condition of certification TSE-1, as adopted and
16 implemented, will the interconnection of the Three
17 Mountain Power Project have an adverse impact on
18 the reliability of the transmission system?

19 A No, it won't.

20 Q Are you aware that Three Mountain Power
21 will bear all financial risk associated with the
22 Three Mountain Power Project?

23 A Yes, I am.

24 Q And does this mean that Three Mountain
25 Power will not be entitled to collect any of its

1 costs from captive ratepayers?

2 A Yes, that's true.

3 MS. COTTLE: Those are all my questions.

4 Thank you very much.

5 HEARING OFFICER BOUILLON: Mr. Wolfe.

6 MR. WOLFE: Nothing.

7 HEARING OFFICER BOUILLON: Ms. Crockett.

8 MS. CROCKETT: Thank you.

9 CROSS-EXAMINATION

10 BY MS. CROCKETT:

11 Q Mr. Mackin, you stated that the study
12 plan for the detailed facility plan will include
13 the ISO, Three Mountain and Pacific Gas and
14 Electric, is that correct?

15 A Yes.

16 Q Has that always been the case since the
17 application process started?

18 A For Three Mountain Power?

19 Q For Three Mountain Power.

20 A Yes. When an applicant, the way the
21 tariff is structured, the interconnection
22 agreements, the applicant goes to the
23 participating transmission owner, PG&E in this
24 case, and requests interconnection.

25 And the initial studies are done between

1 the applicant and PG&E . And it's nice if they
2 coordinate with the ISO, but it's not always --
3 well, I think it actually is a requirement in our
4 tariff, but it doesn't always happen.

5 Q Okay. Have you read the preliminary
6 facility study done by PG&E?

7 A Yes, I have.

8 Q Where it says on the first couple of
9 pages, and I don't have it with me so I'll try and
10 just dredge this up, that they believe there will
11 be substantial system impacts in reliability, how
12 do you address that?

13 A I guess I would have to refresh my
14 memory. I have a copy of that study in my
15 briefcase, I could look at it if it's --

16 Q That would be good.

17 MS. CROCKETT: If the Commissioners are
18 comfortable with you --

19 HEARING OFFICER BOUILLON: Is it very
20 handy?

21 MR. MACKIN: Is it okay to do that?

22 (Pause.)

23 HEARING OFFICER BOUILLON: While we have
24 a break in the proceedings I'd like for the record
25 to note that Commissioner Laurie had to leave a

1 few minutes ago for another commitment. And his
2 Advisor, Steve Williams, is sitting in his stead
3 at the moment, and I'm sure will competently
4 advise Mr. Laurie of the proceedings.

5 (Pause.)

6 MS. CROCKETT: It's on page probably 3
7 of the report. It's the top, from what I can
8 visualize, the top part has a box with some data,
9 and then there's a sentence, or there's a
10 paragraph right below that.

11 MR. MACKIN: See page 3 doesn't have any
12 tables.

13 MS. CROCKETT: Could I look at that
14 quickly for just a moment?

15 MR. MACKIN: Yeah.

16 (Pause.)

17 MR. RATLIFF: So the rest of us can
18 perhaps somewhat identify what study is being
19 discussed right now, and --

20 MS. CROCKETT: This is a preliminary
21 facility study submitted by Pacific Gas and
22 Electric.

23 (Pause.)

24 MS. CROCKETT: Okay, we'll just go on.

25 //

1 BY MS. CROCKETT:

2 Q And since PG&E's been involved in this
3 from the start and they were working with the ISO
4 from the start, you're aware of the letter that
5 PG&E did send to the ISO September 21st, the
6 subject the ISO staff representations to Three
7 Mountain Power Project sponsors.

8 I want to read a paragraph here, and
9 then I have some questions.

10 "Of particular concern to PG&E is the
11 possibility that the project sponsors may be
12 relying on preliminary information from ISO
13 Staff which could prove to be wholly invalid.
14 ISO Staff have indicated to the project
15 sponsors, PG&E was present at such meetings,
16 that the project will not affect the rating
17 of the California/Oregon Intertie facilities,
18 in other words, the rated transfer capability
19 north to south at the Oregon/California
20 border.

21 ISO Staff further represented that
22 adverse operational system impacts could be
23 fully mitigated by modifications to certain
24 ISO market mechanisms, i.e., by representing
25 the project in the ISO's CONG model as if it

1 actually injected its power at Molin rather
2 than at the Round Mountain and Cottonwood
3 area, as it will actually be connected to the
4 PG&E system."

5 My first question, Mr. Mackin, is why
6 would PG&E feel that the information that the
7 ISO's provided to the applicant would be wholly
8 invalid?

9 And my second question would be --

10 HEARING OFFICER BOUILLON: Can we do
11 these one at a time, please, --

12 MS. CROCKETT: Surely.

13 HEARING OFFICER BOUILLON: -- so he has
14 an opportunity to answer?

15 MR. MACKIN: I guess I really couldn't
16 speculate about PG&E's, you know, what they were
17 thinking when they wrote that letter.

18 We did write a response to PG&E. I
19 don't know if you have a copy of that.

20 BY MS. CROCKETT:

21 Q Probably not.

22 A Okay.

23 MR. RATLIFF: The letter you're talking
24 about is September 21st letter --

25 MS. CROCKETT: September 21st to Ms. --

1 MR. RATLIFF: -- Zora Lazic --

2 MS. CROCKETT: -- Zora Lazic, right.

3 MR. RATLIFF: And just for
4 clarification, do you have a response to that
5 letter from the California ISO?

6 MS. CROCKETT: I do not have the
7 response. That's why I am asking.

8 MS. COTTLE: Excuse me, I believe that
9 response was docketed, just for the record. And
10 we also served it on Burney Resources Group.

11 HEARING OFFICER BOUILLON: Is somebody
12 trying to make that an exhibit in this hearing,
13 that's my question.

14 MR. RATLIFF: Well, I think maybe in the
15 interest of the record it would be useful to make
16 an exhibit of that complete exchange of letters.
17 There were several letters that went back and
18 forth between the ISO and PG&E with regards to
19 these issues.

20 And I hadn't intended to sponsor it as
21 an exhibit. I do believe it has been docketed as
22 correspondence, but if it would please the
23 Committee I would go ahead and offer it as an
24 exhibit, as well. Make it a staff exhibit.

25 HEARING OFFICER BOUILLON: That would be

1 most acceptable, I think. That series of
2 correspondence, let's make that exhibit number 53
3 for identification. And you will provide that in
4 a package to the Committee and to the proof of
5 service list.

6 MR. RATLIFF: And I'll tell you what I
7 have that I think the exhibit is; maybe I should
8 describe that on the record just so we know what
9 it is. It's a letter --

10 HEARING OFFICER BOUILLON: Hang on one
11 second until I get my exhibit list here.

12 MR. RATLIFF: -- a letter --

13 HEARING OFFICER BOUILLON: All right, go
14 ahead.

15 MR. RATLIFF: It's a letter from Judi K.
16 Mosley of PG&E to Ms. Zora Lazic at the ISO dated
17 September 21, 1999.

18 HEARING OFFICER BOUILLON: That would be
19 53(a).

20 MR. RATLIFF: Okay. And then there is a
21 November 16 response from Zora Lazic of the ISO to
22 Judi K. Mosley at PG&E.

23 HEARING OFFICER BOUILLON: We'll make
24 that 53(b).

25 MR. RATLIFF: And then there is another

1 letter from Ms. Mosley dated December 17, 1999 to
2 Ms. Lazic.

3 HEARING OFFICER BOUILLON: That will be
4 53(c).

5 MR. RATLIFF: And then there is finally
6 a letter dated February 17 from the California
7 ISO, Zora Lazic, to Judi Mosley. That's February
8 17, 2000.

9 HEARING OFFICER BOUILLON: February 17?

10 MR. RATLIFF: Yes.

11 HEARING OFFICER BOUILLON: That will be
12 exhibit 53 (d) as in dog. For the record I will
13 indicate that we have none of those -- the
14 Committee has none of those in front of them, with
15 the sole exception of the letter dated February
16 17th from Judi Mosley -- excuse me, from Zora
17 Lazic to Judi Mosley, which we do have. Just as a
18 coincidental matter, because I was in the process
19 of reading it today.

20 Would you like to continue.

21 MS. CROCKETT: Could I request a copy of
22 these letters. I --

23 HEARING OFFICER BOUILLON: Yes, I've
24 directed the staff to provide those documents as a
25 package and mail them to everyone on the service

1 list and furnish one to the Committee.

2 MS. CROCKETT: Thank you.

3 BY MS. CROCKETT:

4 Q The other question I have that was
5 raised in this paragraph, Mr. Mackin, is that is
6 PG&E correct in saying that you're using the CONG,
7 or C-O-N-G model to infer injection of power at
8 Molin rather than at Round Mountain?

9 A No, they're not. We, in the response
10 that we wrote back to Judi on November 16th I
11 think it was, we explained that there had been no
12 studies done to determine what the rating of the
13 COI would be with the Three Mountain Power
14 Project.

15 However, because of the way rating
16 studies are done, you try to optimize the system
17 and maximize the transfer capability. So if you
18 anticipated an adverse impact from Three Mountain
19 Power you could simply turn that unit off and then
20 the system would be the same as it was before.

21 Therefore, we made the statement that we
22 thought the rating would not change. So that's
23 how we came to that conclusion.

24 The second issue that your raised of the
25 CONG model, initially we had some concerns about

1 problems with our intrazonal congestion management
2 methodology, and how that could be impacted by the
3 addition of Three Mountain Power to the system.

4 And so the methodology we suggested was
5 one way to mitigate that. However, we filed at
6 FERC an amendment 18, which FERC approved, which
7 allows us to use adjustment bids outside of the
8 zone to resolve intrazonal congestion.

9 And because FERC approved amendment 18
10 we no longer needed the proposed methodology, so
11 we withdrew it.

12 Q I'm a little confused. I thought you
13 said there was not going to be any intrazonal
14 congestion. And now you have worked out a
15 detailed program on how to relieve this.

16 A No, I don't -- okay, what I had said, in
17 some of the earlier -- okay, there's two issues.
18 And one is, is there transmission available on
19 COI. And in some of the workshops, I remember
20 being at that workshop I said that I thought there
21 was transmission available, however congestion was
22 occurring.

23 And that happens because of the
24 situation we were talking about earlier with the
25 existing contracts being taken out before

1 congestion management is run.

2 So what happens is you have like for
3 example, I'm going to pick on TANC because they're
4 here, but say they have 1300 megawatts of transfer
5 capability, but in the forward market they only
6 schedule 700. Okay, that leaves 600 remaining.

7 But we take the full 1300 out. And then
8 we run congestion management. We might have
9 congestion, yet that's 600 or -- I think that's
10 what I said -- 600 megawatts is not being used by
11 TANC, and it's their right to withhold it. It's
12 their transmission capability.

13 But if they don't use it then what
14 happens is when you look at the actual flows
15 you'll see 600 megawatts going unused. And so you
16 look at the flows, the actual flows you see on
17 COI, and it looks like, well, there's transmission
18 capacity available. But in the ISO market there
19 wasn't.

20 Q And you have resolved then the FERC's
21 concern about the decision in docket ER-99-3339
22 about where the -- I will read this so that
23 everyone's aware:

24 "We additionally observed that FERC's
25 recent decision in docket ER-99-3339 suggests

1 that FERC cannot be expected to entertain
2 deviations from the zonal congestion model
3 construct even with ISO support."

4 A Yeah, actually FERC has told us in some
5 recent rulings that they don't even like our zonal
6 congestion models, so we've got some work ahead of
7 us to resolve those issues.

8 Q I sense a real vagueness here. There's
9 a lot of unanswered questions that you have
10 indicated, areas that are unclear because you
11 don't have complete studies.

12 Am I interpreting this correctly?

13 A We don't have detailed studies at this
14 point, but the preliminary studies, I believe, are
15 sufficient to determine the facilities that are
16 going to be impacted by the Three Mountain Power
17 Project.

18 Usually what happens when you run a
19 detailed study is you refine the assumptions, run
20 the studies again with the refined assumptions,
21 and it's very rare that you identify additional
22 impacts.

23 Usually what will happen is the amount
24 of the impact might change a little bit, 1 or 2
25 percent, but it's very rare that you come up with

1 new impacts.

2 And the detailed study, specifically in
3 the PG&E case, mostly what they do for that
4 detailed study is refine the cost estimate for
5 interconnection, so that the applicant knows, you
6 know, with greater certainty how much it will cost
7 them to interconnect.

8 Q After PG&E submitted their preliminary
9 facility studies which was prior to this letter of
10 September 21st, is that correct?

11 A I'm sorry, could you repeat that one
12 question one more time, please?

13 Q I was reviewing the PG&E preliminary
14 study prior to the September 21st letter, is that
15 correct, that preliminary study had been published
16 prior to the September 21st --

17 A Correct, it was May 14th.

18 Q So PG&E had proposed certain things
19 within that preliminary facility study indicating
20 that Three Mountain, during peak periods, summer
21 and winter, that they would have to be tripped to
22 prevent congestion on the line, one-unit, two-unit
23 tripping, is that correct?

24 A I guess there's differences between
25 congestion. The tripping that was proposed in the

1 study by PG&E was to relieve not so much the
2 congestion impacts, because if they trip the units
3 there's no congestion before, and by tripping the
4 units you solve the congestion after.

5 So the tripping of the units is to keep
6 the system reliable and maximize the transfer
7 capability --

8 Q The system reliability, to keep it, they
9 would have to do the tripping?

10 A Yes.

11 Q If you remember at the, I think it was
12 the October workshop that you were present in
13 Burney --

14 A Um-hum.

15 Q -- and there was a representative from
16 SMUD. And he had quite a few questions on system
17 reliability and VARS, does that ring any bells?

18 A Oh, yeah.

19 Q Okay. And your final comment to this
20 gentleman from the Sacramento Municipal Utility
21 District was that he was very concerned about
22 system reliability and that the bottom line was
23 there would not be any VARS impacts, however I'm
24 not really versed in this one, so I may be saying
25 this incorrectly, because the amount of power

1 leaving Round Mountain substantially would not
2 change, is that a correct statement?

3 A Right, that is what I said. And I
4 believe the gentleman from SMUD, Ram Gupta was his
5 name, he indicated that the had done some studies
6 and he thought there was like 24, 25 megavars
7 difference.

8 And so to resolve that difference of
9 opinion we agreed to run some additional studies
10 as part of the detailed facility study, or
11 conversely in the operational impact study.

12 So where I believe the more appropriate
13 place to run that is going to be in the
14 operational impact study, and PG&E is going to
15 look at that. They will determine if there is an
16 inadequate VARS or an impact because of Three
17 Mountain Power.

18 Q Since there is no difference or change
19 in power leaving the Round Mountain station, and
20 that reassured the Sacramento District, how do you
21 reassure the State of California that there's an
22 additional 500 megawatts of generating power?

23 A I guess that the ISO is not in the --
24 that's not our area of responsibility. We're
25 responsible for reliability and enabling markets

1 for energy.

2 So, it's not our responsibility to
3 insure that there's an extra 500 megawatts of
4 resources available for California. The market,
5 by the higher prices that are caused due to
6 shortages, the market should provide the
7 additional resources.

8 Q Just one other question. Currently in
9 place within the intermountain area, which is
10 Burney, we have very severe winters, other than
11 the winter of '99/2000, and our temperatures drop
12 below zero consistently.

13 And there is a mechanism in place now
14 that is part of PG&E's choice to make, and did
15 make, that when there are power failures they
16 could step down the 60 -- when the 60 fails they
17 can take the 230 out and step down the power, and
18 repower the community by rerouting the power,
19 reroute the power to the community of Burney.

20 A Right, using one of the 230 kV circuits.

21 Q Correct.

22 A Yeah, um-hum.

23 Q Okay, I have to look to my technical
24 assistants here. There has been quite a bit of
25 concern about this that with Three Mountain on the

1 line that this will no longer be available. And
2 in the winter of 97/98 the outlying area of Burney
3 was out for over one week with temperatures below
4 zero.

5 But because of this they were able to,
6 this system in place, the actual town of Burney
7 had power so people in the outlying areas had a
8 place to go to if they needed it for warmth.

9 With Three Mountain on line can this
10 continue, and can the community of Burney be
11 reassured of some way between either PG&E or Three
12 Mountain that this could continue to happen? Or
13 will this be eliminated?

14 A Okay, I'm not aware of any proposal to
15 eliminate the back-up power supply for Burney.
16 Now, of course, with Three Mountain Power
17 generating, if they were to generate at full
18 output, it would not be possible to take one of
19 the 230 kV lines out and use it to power the city
20 of Burney.

21 But I guess since PG&E is the
22 transmission owner it would be up to PG&E to
23 determine if that scheme was going to be taken out
24 of service to allow Three Mountain Power to have
25 access to the markets.

1 So, the ISO -- PG&E would have to tell
2 us how to operate that scheme. And if that scheme
3 is going to be removed they have to tell us.

4 Q Is there any way the community could ask
5 the Energy Commission that part of the -- I don't
6 know if requirements of certification -- would be
7 that this scheme were to be left in place, or
8 something similar to protect the community during
9 these sort of outages?

10 It is not uncommon in the community of
11 Burney to have major outages. And we have severe
12 storms. Are we asking something that's not
13 possible?

14 HEARING OFFICER BOUILLON: Let me
15 respond to that. This is cross-examination of the
16 witness from the ISO. For you to either testify
17 or make requests of the Commission you are
18 undoubtedly at the wrong time.

19 MS. CROCKETT: Okay.

20 HEARING OFFICER BOUILLON: And I would
21 ask you to discuss with the Public Adviser the
22 proper time and means of making such a request.

23 MS. CROCKETT: Okay, thank you. I
24 apologize.

25 HEARING OFFICER BOUILLON: That's all

1 right. I might add, I think you're doing a very
2 credible job.

3 MS. CROCKETT: Thank you.

4 BY MS. CROCKETT:

5 Q You mentioned the interconnection
6 agreement and the tariffs that was brought up by
7 Three Mountain, would you clarify that again for
8 me, that Three Mountain must sign? It's an
9 interconnection agreement.

10 A Okay, I'm not aware of Three Mountain
11 having signed any agreements yet, any
12 interconnection agreements.

13 Q With the ISO? Okay.

14 A No, but in order for them to sell power
15 into the California markets they must sign a PGA
16 which commits them to follow the terms of our
17 tariff.

18 So they haven't signed it yet, but they
19 have to sign it to be able to sell power.

20 Q Why would PG&E be so concerned about all
21 these concerns in this letter if they know that
22 this interconnection agreement must be signed?
23 That would seem to indicate that all of the things
24 that they've mentioned in here would be taken care
25 of under the interconnection agreement.

1 A The interconnection agreement doesn't
2 specifically address the concerns that PG&E
3 mentioned in their letters, especially the -- they
4 were concerned, one of the issues was the COM
5 model changing intrazonal congestion management.
6 And so I believe the concern there was more of a,
7 not a reliability concern but an economic impact
8 to the applicant, if they were to rely on our
9 statements and our statements turned out to be
10 incorrect, that they might have spent money in
11 anticipation of trying to make money, but that
12 they would be unable to make the money they
13 thought they were going to make.

14 So I think that was the concern PG&E was
15 addressing in that particular part of their
16 letter.

17 The other issue was the rating, and
18 again I believe the impact to the rating, I think
19 that gets back to the fact that PG&E has
20 agreements with other participants in the COI.
21 And they need to make sure that they don't, via
22 the interconnection of the new generation, they
23 don't adversely impact those parties.

24 Q Just one moment. Currently, I haven't
25 had a chance to review the letters, is PG&E much

1 more comfortable with the ISO's position and their
2 information that they're giving the applicant?

3 A I believe they are, yes.

4 Q Okay. Also, my last question is if the
5 system were to be reinforced to the load center
6 would any of this be an issue?

7 A Could you be more specific about "this"?
8 I mean --

9 Q If the system, the current transmission
10 system, were to be reinforced --

11 A Right.

12 Q -- to allow all the generation capacity
13 that exists now, plus the addition of Three
14 Mountain Power, to be on the line, would any of
15 these questions and concerns be raised at this
16 point?

17 A I guess that's kind of speculative. I
18 mean they could still be raised. It might be less
19 likely for them to be raised, but --

20 MS. CROCKETT: Thank you.

21 HEARING OFFICER BOUILLON: Is Mr. Knight
22 from Burney Forest Power still on the line? In
23 which case, I guess he has no questions.

24 MS. COTTLE: That was Charlie Knight
25 from Burney Mountain Power. I think you're asking

1 if Burney Forest Products is on the line.

2 HEARING OFFICER BOUILLON: I'm sorry.

3 MS. COTTLE: I don't think there was
4 anyone on the line --

5 HEARING OFFICER BOUILLON: Mr. Evans, --

6 MR. KNIGHT: This is Charlie Knight from
7 Burney Mountain Power.

8 HEARING OFFICER BOUILLON: Do you have
9 any questions? Are you -- never mind, now I got
10 it.

11 Mr. DeCuir, you're up.

12 MR. DeCUIR: Thank you very much.

13 CROSS-EXAMINATION

14 BY MR. DeCUIR:

15 Q Mr. Mackin, what I'd like to do is
16 direct your attention to your report, your written
17 testimony.

18 A Okay.

19 Q And I'm going to start so everyone can
20 follow with me if anybody wants to, with page 4.

21 HEARING OFFICER BOUILLON: If I might
22 interrupt you, Mr. DeCuir.

23 MR. DeCUIR: Yes.

24 HEARING OFFICER BOUILLON: Since you're
25 actually making reference to his testimony, and

1 page 4 thereof, it has not yet been marked for
2 identification in the record. Let's mark that as
3 exhibit number 54 for identification.

4 And for the record I will identify that
5 as the document entitled, it's got the California
6 ISO heading, and then it's entitled, Transmission
7 System Reliability: Interconnection of the Three
8 Mountain Power Project. And it contains at the
9 end the qualifications of Mr. Mackin.

10 All of that together will be one exhibit
11 numbered 54 for identification. You may continue.

12 MR. DeCUIR: Thank you.

13 BY MR. DeCUIR:

14 Q On page 4 there is a table, and I wish
15 you would explain to us the significance of the
16 4800 north-to-south under the column heading
17 maximum.

18 A Okay. What that says is the COI has a
19 maximum rated capability of 4800 megawatts north-
20 to-south, and 3675 megawatts south-to-north.

21 Q And doesn't this rating change the
22 maximum operational transfer capability rating of
23 the COI?

24 A Yes, it does.

25 Q And can you give the Committee some idea

1 of the frequency with which it has changed, and
2 the range of the changes?

3 A I am not deeply familiar with the
4 operational transfer capability studies that have
5 been done on COI for the last few years, so I
6 can't give you a feel for how big the range is.

7 The OTC numbers can change daily when
8 facilities are going out for maintenance. The
9 studies are done three times a year to determine
10 what the OTC is for the season.

11 And then as facilities are taken out for
12 maintenance or forced out due to whatever, the
13 rating then changes, the OTC changes.

14 Q You mentioned when you began your
15 testimony to a question from Mr. Ratliff that you
16 had looked at some data from the Bonneville Power
17 Administration. What was that data?

18 A It was data off of their transmission
19 business unit website. It was a series of
20 spreadsheets that listed charts that showed the
21 rated COI capability versus the actual flows on
22 the facilities.

23 Q I have handed the witness what I would
24 ask be marked as the next in order for
25 identification if he recognizes it as a copy of

1 what he saw on the website.

2 A This is not what I looked at on the
3 website, no.

4 Q Did you -- I've got one more, if you'll
5 all bear with me.

6 HEARING OFFICER BOUILLON: Counsel,
7 before you hand the witness documents it might be
8 more convenient for all parties if you would show
9 them to the counsel for the other parties and to
10 Ms. Crockett. Before --

11 MR. DeCUIR: As a matter of fact, I have
12 copies for everyone, and I would do that, but I
13 was taking my quickest shot to see if we could get
14 the right one first, if you don't mind.

15 MR. RATLIFF: I have no idea what Mr.
16 DeCuir is trying to establish, and I'm reluctant
17 to object to his questions if it's going to be
18 informative to the Committee because obviously you
19 need the information more than you need
20 evidentiary games, but I would like to know that
21 the questions are at least relevant to his
22 testimony.

23 HEARING OFFICER BOUILLON: I don't think
24 there's a question before the Committee at this
25 point.

1 MR. RATLIFF: Well, --

2 HEARING OFFICER BOUILLON: The last
3 question --

4 MR. RATLIFF: -- the question is about
5 documents which most of us have not seen, or have
6 seen just this very moment. And we don't know
7 what the origin of the documents are, or what
8 purpose they're intended to serve.

9 HEARING OFFICER BOUILLON: Well, since
10 the document seems to be going backwards again,
11 we'll let Mr. DeCuir respond.

12 MR. DeCUIR: I am, as you know, trying
13 to make this go quickly, and we could mark
14 everything, show everybody something, have
15 everyone study it, then mark it, and show it to
16 the witness. And I think you'll appreciate that
17 we got over this because the witness couldn't
18 identify either one of them.

19 So, if you don't mind, I'll proceed.

20 All right? Okay.

21 BY MR. DeCUIR:

22 Q Mr. Mackin, the 4800 megawatts shown as
23 a maximum operational transfer capability for the
24 COI, is that, to your understanding, the rating
25 that, as you noted, ranges that one could say is

1 the safe and reliable and in-conformance-with-
2 criteria rating that one would apply in optimizing
3 the transfer capability of the system?

4 A If the OTC studies determine that the
5 system was capable of 4800 megawatts then I would
6 say yes. If they did not, then the value
7 determined by the OTC studies would be the value
8 that met your previous criteria.

9 Q Yes, and so at any given point in time,
10 let's say before the disturbance, the major
11 disturbance in the west in 1996 when the OTC was
12 4800 megawatts, one assumed that that was the OTC
13 which was safe, reliable and optimized transfer
14 capability, isn't that right?

15 A Yes.

16 Q And then after the disturbance the
17 operational transfer capability rating was
18 reduced, isn't that right?

19 A Yes, it was.

20 Q And it was reduced to what number?

21 A Initially 3200 megawatts.

22 HEARING OFFICER BOUILLON: I'm sorry?

23 MR. MACKIN: 3200 megawatts.

24 BY MR. DeCUIR:

25 Q And in deriving the operational transfer

1 capability, that is in doing the studies necessary
2 to come to a conclusion that a number like 3200
3 should be used, or 4800 should be used, one, as a
4 planning engineer, is not attempting to stress the
5 system, but to optimize it and comply at the same
6 time with all reliability criteria, isn't that
7 right?

8 A No, that's not true. You're trying to
9 stress the system to the maximum so that you still
10 meet the reliability criteria, but you're pushing
11 it as hard as you can.

12 Q Stressing it in the sense of meeting all
13 the criteria?

14 A All the criteria.

15 Q So that there aren't exceedances in the
16 area of voltage or frequency --

17 A Correct.

18 Q -- or ground fault, or anything like
19 that?

20 A Yes.

21 Q All right. And would you explain for
22 the Committee the function of frequency control
23 for the purpose of area generation or automatic
24 generation control?

25 A Could you rephrase that question?

1 Q Yes. Well, what we would like to do is
2 have you explain to the Committee how generators
3 and loads are kept in match automatically by the
4 use of frequency or bias control.

5 A Right.

6 Q Can you explain that to the Committee?

7 A Yeah. I don't know what purpose it
8 would serve, but certainly I can explain it.

9 As the loads change the generation
10 initially is dispatched on the hour at a given
11 schedule. But the loads do not remain constant
12 throughout the hour, and as the loads change the
13 frequency in the system changes.

14 And --

15 Q It drops, does it, when the load comes
16 on?

17 A If the load increases the frequency will
18 drop. If the load decreases the frequency will
19 increase.

20 And the AGC has -- each control area has
21 a bias that they provide. It's a setting in their
22 AGC that says you're going to increase your area
23 control generation by a certain amount of
24 megawatts for each, I don't know, tenth of a Hertz
25 in frequency change.

1 And so each control area has the bias.

2 And when the frequency changes then each area is
3 controlled, you know, all the units on AGC in
4 those control areas either increase or decrease to
5 maintain the system frequency at 60 Hertz.

6 Q So if I understand this correctly, when
7 a new load is effectively switched on, then the
8 decrease in system frequency causes generators to
9 speed up in order to bring the frequency up to the
10 60 Hertz that's uniformly used in this area, is
11 that right?

12 A Yes, although if it's a big load
13 initially what happens AGC does not respond quick
14 enough, the governors are what pick up based on
15 frequency, and bring the system up to 60 Hertz
16 again.

17 And then the AGC compensates because
18 some governors, you may have generators in
19 different control areas responding too quickly.
20 And so then the AGC compensates for that and
21 brings those generators back down to the points
22 where they're supposed to be operating.

23 So that the area control exports from
24 each area match up what they should have been
25 before the load switched on.

1 Q And when a system is in a condition
2 where it is not staying within the band of
3 allowable frequency changes, or the range of
4 frequency from 60 Hertz up or down a few tenths or
5 hundredths of a Hertz, are there devices that are
6 employed in order to protect equipment and
7 reliability?

8 A For small deviations in frequency, no.
9 For the large deviations where, say for example
10 what happened on August 10th of '96 where the
11 system separated into multiple islands, and
12 frequency in some islands went way down below 59
13 Hertz, then there are relays on loads that will,
14 in order to arrest that frequency decline, those
15 relays will pick up dropped load and try to bring
16 that island into a balance between generation of
17 load.

18 Q And to give the Committee a feel for the
19 realistic effects of large deviations, emergency
20 deviations which cause loads to drop, what are the
21 consequences on the infrastructure, for example?

22 A If the loads drop?

23 Q Yes, let's take traffic signals, take
24 manufacturing, assembly lines, what happens to
25 those?

1 A Well, if they're on the under-frequency
2 relays and the frequency does go below the trip
3 point, they will be knocked off line. They won't
4 have any power for awhile until the system
5 frequency recovers and they are restored.

6 Q The report you wrote continues below the
7 table on page 4 to explain that the basecases
8 shown above, if Three Mountain were added, would
9 result in steady state overloads.

10 Didn't you mean by that that taking the
11 system as it is today and assuming 100 percent or
12 90 percent CVP generation, and assuming 97 to 93
13 percent, depending upon the season, of the model
14 year, that you can't add Three Mountain Power to
15 the system without resulting in overloads? Isn't
16 that right?

17 A What's shown in my -- or what is alluded
18 to in my testimony is that you can't
19 simultaneously add Three Mountain Power and run
20 the COI at 4800 and have the hydro at high levels
21 above 90, 95 percent. That is true.

22 Q And so it's also the case that, as you
23 explain, in order to model Three Mountain Power in
24 service as though it were interconnected with the
25 grid, that you had to, in effect, subtract from

1 the system other generation, as you note in two
2 examples where you reduce -- generation, or you
3 reduce CVP generation. Is that right, did I
4 understand that?

5 A Yes.

6 Q So when you approach this study and look
7 at the effect of Three Mountain Power on the
8 system as it is today you have to approach it by
9 assuming that Three Mountain Power, if
10 interconnected, could only operate without either
11 one of the hydro resources, or some other use of
12 the three-line system being reduced, isn't that
13 right?

14 A Yeah, but that's competition.

15 Q Well, I heard you say that, that it's
16 competition, but I think what we're trying to do
17 here is first understand how this study proceeded,
18 and to appreciate your conclusions and what you
19 went through.

20 A Okay, well, --

21 Q So I don't assume that you came to this
22 problem and said, this is an engineering problem
23 but that's competition, you didn't do that?

24 A No, but as a point of clarification, I
25 did not do the studies that we're referring to

1 here. PG&E performed the studies and I only
2 summarized them in my testimony.

3 Q Mr. Mackin, you, yourself, have
4 personally run the general electric powerflow and
5 stability programs yourself, haven't you?

6 A Yes, I have.

7 Q So you're very familiar, intimately
8 familiar with how they operate and what the inputs
9 are and what the outputs are?

10 A Yes, I am.

11 Q And I guess what you're saying here is
12 that you did not do that in this case?

13 A Right.

14 Q And has anyone at the ISO checked PG&E's
15 work?

16 A Not in this case.

17 Q When you got to the power flow analysis
18 you started to consider what are known as N-1
19 contingencies, and would it be fair to say,
20 without me asking you to give a narrative,
21 although you're welcome to if you'd like, is it
22 fair and correct to say that an N-1 contingency is
23 an assumed outage of any single element which
24 could cause an adverse impact on the system?

25 And the single element, even though some

1 people use T-1 for transmission and G-1 for
2 generation, N-1 these days applies to all, is that
3 correct?

4 A That's the way I interpret it, yes.

5 Q All right. And looking at the studies
6 that were done by PG&E you personally concluded
7 that there are six outages, N-1 contingencies,
8 that would have adverse system impacts resulting
9 from the interconnection of the Three Mountain
10 Power Project to the grid, isn't that right?

11 A Without tripping any project units, yes,
12 that is correct.

13 Q Well, I mean if we think of this
14 algebraically when you say without tripping the
15 unit, you're saying that unless you reduce Three
16 Mountain to a big zero and take them out of the
17 equation you have these six adverse contingencies,
18 isn't that right?

19 A No, that's not correct. If you're
20 referring to table 1 in my testimony --

21 Q I'm referring actually to the bottom
22 paragraph on page 4.

23 A Oh, okay. Well, I was looking at table
24 1 which is on page 5 that actually --

25 Q I think the -- yes, all right.

1 A -- actually documents the percentage
2 overloads. And as you can see, in the last column
3 there, there's loading with project trip, outage
4 number two, four, five and six are all reduced
5 below 100 percent with the tripping of footnote
6 number 1, which is not present in my testimony.

7 Footnote number 1 actually refers to the
8 tripping of one project unit, and there are three
9 units in the project.

10 And footnote number 2 refers to more
11 than one unit, up to three.

12 So in the case for table 1 by tripping
13 one project unit you can eliminate the problems
14 with four of the six contingencies.

15 Q Isn't it the case that your table number
16 1 on page 5 shows that for the Captain Jack Olinda
17 outage, that even without the project the
18 condition of the system is in exceedance of the
19 reliability criteria, isn't that right?

20 A That's what the table indicates, but I
21 also believe that that was using a steady state
22 rating for the bank, not an emergency rating. And
23 if you use the emergency rating that's not a
24 problem anymore.

25 Q And what is your belief with regard to

1 the column for number 1 where it has loading with
2 project trip, where you have two units tripping
3 out and you get 114 percent? Is that in
4 exceedance of the steady state condition?

5 A It is, but it's better than before the
6 project.

7 Q By the 1 percent?

8 A Yes.

9 Q So your assumption here is that you can
10 reliably operate with the three units of Three
11 Mountain Power confronting the potential for N-1
12 contingencies and having exceedances in every one
13 of these particular six 500- to 230-kV sections,
14 is that right?

15 A No. The purpose of this study --

16 Q What is loading with the project? What
17 is the significance of that column where it says
18 loading with the project and it starts off Captain
19 Jack Olinda is at 129?

20 MR. RATLIFF: I'd request that the
21 witness be allowed to answer the last question
22 before --

23 MR. DeCUIR: I didn't ask what the
24 purpose of the study was. The witness said the
25 purpose of the study, and I redirected the

1 question to what I wanted to know, which is what
2 is meant by the column loading with the project.

3 MR. RATLIFF: I would like, again, the
4 witness to be able to answer the question as he
5 intended to answer it in its entirety.

6 HEARING OFFICER BOUILLON: Let me offer
7 a comment for the benefit of everyone. When you
8 ask a question and a witness begins to answer it,
9 let the witness complete his answer in full.

10 If you believe that the answer is
11 nonresponsive to your question, you may move to
12 strike his answer. But please, each of you, let
13 him finish that answer before you make your
14 objection.

15 MR. DeCUIR: Thank you.

16 HEARING OFFICER BOUILLON: And so in
17 this case I would like to go back, and if the
18 witness can remember the question, I'd like him to
19 complete his answer. And then you can move to
20 strike it as nonresponsive if you would like.

21 MR. DeCUIR: See if I can remember my
22 question.

23 MR. MACKIN: I don't remember the
24 question, so --

25 MR. DeCUIR: Let me be fair about this.

1 You can say what you wanted to say.

2 MR. MACKIN: Okay.

3 MR. DeCUIR: And I'll tell you what my
4 question is that I want to have asked, so go
5 ahead.

6 MR. MACKIN: The purpose of the studies
7 was to simply document or demonstrate that while
8 there may still be criteria violations after the
9 project, that the criteria violations are no worse
10 than they were before the project, which
11 demonstrates that the project did not adversely
12 impact reliability.

13 There may be a reliability impact to the
14 system for the conditions studied, but the project
15 did not make it worse.

16 BY MR. DeCUIR:

17 Q One of the things I couldn't figure out
18 in looking at the columns was the significance of
19 the column I mentioned, which is the second one
20 from the far right in table 1, the loading with
21 the project.

22 A Okay, loading with the project.

23 Q Um-hum.

24 A Okay, the -- well, let me explain the
25 last three columns on the right-hand side of the

1 tables then. That might help all of them.

2 Loading without the project is the
3 loading on the facility that says worse overloaded
4 equipment for the outage that's listed on the
5 left-hand side.

6 So, for example, in number 1 the outage
7 of the Captain Jack Olinda line causes an overload
8 on the Olinda bank, and without the project it's
9 115 percent. And loading with the project says
10 what that overload is with the project in service
11 at its initial dispatch, which was 500 megawatts,
12 I believe.

13 And then loading with project trip
14 indicates the loading on the facility after
15 tripping a number of project units as described by
16 the footnote. So it's either one, two or three
17 units.

18 Q There are several places where
19 loading --

20 HEARING OFFICER BOUILLON: Excuse me a
21 minute, Mr. DeCuir.

22 MR. DeCUIR: I'm sorry?

23 HEARING OFFICER BOUILLON: Let me
24 interrupt. The witness has said that the loading
25 with project trip is, for instance with Captain

1 Jack Olinda, 114 percent, and refers to footnote
2 number 2.

3 The copy of his testimony I'm looking at
4 has no footnote --

5 MR. MACKIN: Right.

6 HEARING OFFICER BOUILLON: -- no end
7 note number 2 --

8 MR. MACKIN: There is no footnotes,
9 footnotes 1 or 2, I have an errata to my testimony
10 which is those footnotes. I don't know when would
11 be the appropriate place to enter those.

12 BY MR. DeCUIR:

13 Q The understanding, I believe, from your
14 earlier testimony was that 1 indicates one-unit
15 trip, and 2 indicates a two-unit trip, is that
16 correct?

17 A Well, 2 actually indicates more than one
18 unit, so it could be two or three.

19 Q Okay.

20 HEARING OFFICER BOUILLON: You have an
21 errata for your testimony?

22 MR. MACKIN: Yes, I do.

23 HEARING OFFICER BOUILLON: Now would be
24 the appropriate time.

25 MR. RATLIFF: I think that was my fault,

1 I failed to ask him if he had any errata to his
2 testimony or any changes to make.

3 HEARING OFFICER BOUILLON: I've received
4 from the witness a document entitled, Transmission
5 System Reliability, Interconnection of the Three
6 Mountain Power Project, errata to the testimony of
7 R. Peter Mackin.

8 We will make that exhibit 55 for
9 identification.

10 I'd like to take a break in the cross-
11 examination simply for Mr. Ratliff to have the
12 opportunity to authenticate the errata through the
13 witness and demonstrate the purpose of it.

14 And while they're preparing to do that,
15 we need to take a break for other reasons. So if
16 we can reconvene at 20 after.

17 (Brief recess.)

18 HEARING OFFICER BOUILLON: The hearing
19 will come to order. Mr. Ratliff, you were going
20 to deal with the errata.

21 MR. RATLIFF: Yes.

22 Mr. Mackin's errata, which I neglected
23 to allow him the opportunity to mention and
24 present earlier, is essentially an errata with two
25 footnotes that pertain to the table at the top of

1 page 5 of his testimony.

2 And they're one-sentence footnotes
3 explaining the assumptions for that table.

4 And the other aspect of the errata
5 corrects one typographical error, I believe.

6 HEARING OFFICER BOUILLON: All right.

7 Mr. DeCuir, would you care to continue your cross-
8 examination at this time?

9 MR. DeCUIR: Thank you, yes.

10 CROSS-EXAMINATION - Resumed

11 BY MR. DeCUIR:

12 Q Mr. Mackin, would you explain for the
13 Committee the importance of studying stability and
14 transient and post-transient analyses? And I say
15 that in the context of the importance to the
16 operation of the generators and the stability of
17 the lines and the way the system is synchronized.

18 A Okay, the system has to operate reliably
19 in a steady state, and following contingencies
20 outage of the pieces of the transmission grid.
21 And there are essentially four studies that are
22 done to determine the impacts on the grid during
23 contingencies.

24 There are fault studies which determine
25 how much current is going to flow in elements of

1 the grid during the fault. There are the
2 transient stability studies which determine how
3 the grid responds to the fault and the clearing of
4 the facility that's being taken out of service.

5 And the transient stability timeframe is
6 usually from zero to 10 or 20 seconds. And
7 following to determine the impact a little further
8 out in time we run what's called a post-transient
9 study where we look at, it's more of a steady
10 state analysis, but it looks at how the generation
11 will re-dispatch following the contingency, and
12 what the flows and voltages on the system will be.

13 And finally, we look at power flow which
14 is more of a long-term, five-, ten-minute
15 timeframe. And it looks at similar to the post-
16 transient, except in most cases the generation is
17 not re-dispatched in quite the same manner.

18 Q When you trip a power plant of some
19 size, let's say it's a 50 megawatt or 100 megawatt
20 generating unit, what kind of electrical results
21 do you see on the system because of that trip?

22 A The voltages in the area will tend of
23 oscillate, frequency will oscillate a little bit.
24 Line flows will also oscillate.

25 The main things that you're looking for

1 in your transient stability studies are that the
2 voltages do not exceed limits, either high or low;
3 that the oscillations are damped; and for
4 frequency you're looking for frequency to remain
5 within the established criteria.

6 Q Oscillations are important in what
7 areas, to what machines would you ascribe some
8 importance to the control, the quick control of
9 oscillation?

10 A I'm not sure I understand the question.

11 Q You have oscillations in voltages; you
12 have oscillations in frequency; you have currents
13 that is going up and down perhaps. And things are
14 perhaps a little out of phase. And this is all
15 the result of tripping a generator, isn't that
16 right?

17 A It can result from any facility being
18 taken out of service, a generator, a line, a load.

19 Q And could it potentially have adverse
20 consequences, let's say, on a generator that had
21 not been tripped, if it was still in service.
22 Let's say one unit at Three Mountain is tripped,
23 and the other isn't. They're on the same buss.

24 A The studies would determine if that were
25 the case or not.

1 Q Those studies have not been made?

2 A Those studies haven't been made for
3 Three Mountain because Three Mountain's design is
4 not completely final. They gave preliminary data
5 to PG&E to do the analysis with. So it's typical
6 manufacturer's data.

7 Q If I could turn your attention back to
8 the first table where you have the three columns
9 on the right, and one of them has loading with the
10 project; and you have a couple of instances where
11 there are just two instances of exceedances of
12 criteria for loading without the project.

13 And with the project you have
14 exceedances in every case. And loading with the
15 project trip in one, two -- and I guess it's just
16 two cases out of the six, loading with the project
17 tripped actually improves the picture because the
18 exceedance isn't as high.

19 And that's in the case of number one,
20 the Captain Jack Olinda outage, and in the case of
21 number two -- no, actually I suppose number two
22 it's in excess. It hasn't improved.

23 My question goes to, once again, how you
24 would explain the improvement of this systems
25 operation in regard to the reliability criteria

1 with the project tripping. How do you explain
2 that 1 percent improvement?

3 A Well, again, since I did not actually do
4 the studies, there's many multiple explanations.
5 One could simply be a rounding error, you know.
6 In the process of running the studies one could
7 have been 114.51, which rounds up to 115. And the
8 other one could have been 114.49, and it rounds
9 down to 114.

10 Could have been very very close, but due
11 to rounding they look 1 percent different.

12 Q You wouldn't normally expect the loading
13 with the project tripped to improve over the
14 loading without the project, would you?

15 A Well, it could, because the two cases
16 that started, the initial conditions were
17 different because one had the project and one did
18 not.

19 So it's possible that you could have an
20 improvement with the project tripped versus the
21 loading without the project.

22 Q Turning your attention to N-2
23 contingencies, would you agree with me that most
24 of us expect those to be outages involving two
25 major transmission paths, or two generators, or

1 two substations? Those are the typical N-2
2 contingencies, is that right?

3 A Outages of substations are usually not
4 studied because they're considered to be not
5 credible.

6 Q Would you agree that what your review of
7 PG&E's studies have shown is that there are four
8 instances where the addition of the Three Mountain
9 Project, where it's proposed to be interconnected,
10 would cause adverse system impacts in regard to
11 the reliability criteria that you use?

12 A You're still referring to table 2?

13 Q Yes.

14 A I don't see that. In all cases --

15 Q I'm sorry, it would be five outages.

16 A Right, there's five outages, but there's
17 only one outage after project trip where the
18 loading is higher than the loading without the
19 project, and even that case, which is number 11,
20 is still below 100 percent.

21 So it's not a violation.

22 Q You regard the column loading with the
23 project where in each case it's from 7 up to 37
24 percent above the criteria as being in compliance
25 with the criteria?

1 A No, I don't, but because that is not in
2 compliance with the criteria, the project -- the
3 studies have shown that for those outages the
4 project needs to trip. So remedial actions or
5 some other procedure has to be in place.

6 That's the purpose of the last column of
7 the table, to show that in order to meet the
8 criteria for those contingencies they have to trip
9 the units.

10 Q You indicated, too, that there were six
11 noncompliant outages when you studied the 230 kV
12 circuit breaker failures, is that right? I'm
13 referring to page 5, underneath table 3.

14 A Okay, these were buss outages, these
15 weren't breaker failures.

16 Q I see, these are buss outages?

17 A Breaker failures is table 4.

18 Q All right. You proposed in your report
19 that the frequency deviations, that is the
20 deviations from the criteria for frequency, could
21 be approached from two different paths. One might
22 be a RAS scheme, and one might be to check the
23 settings on the under-frequency relays.

24 Would you explain what the purpose is of
25 the under-frequency relays and what you would be

1 doing in checking the settings?

2 A Okay. All, well, not all substations,
3 but a large number of substations have under-
4 frequency relays to protect the system in case of,
5 as was described earlier, in case of an islanding
6 situation where there's a large imbalance between
7 generation and load and the frequency declines
8 dramatically.

9 The studies that were done by PG&E
10 indicated that there were, I don't remember the
11 precise number, but five or six busses that had
12 violations of the frequency deviation criteria
13 that WSCC has for certain contingencies on the
14 system.

15 All the studies showed was that there
16 were violations of the criteria at those busses.
17 It doesn't demonstrate that there are even relays
18 at those busses that would be affected by the
19 frequency.

20 If there are no relays there, then it's
21 a moot point because no load will be tripped. And
22 so it's not a violation of the criteria. I mean,
23 it's a technical violation of the criteria, but
24 because the criteria, its main purpose is to
25 preserve service to loads. If the loads would not

1 be impacted by that violation, then it's not a
2 problem.

3 Q You were asked during the period when
4 you were examined by Mr. Ratliff to explain your
5 view of why hydro spill would not occur in the
6 Northwest with the addition of the Three Mountain
7 Power Project.

8 I assume there that you were thinking
9 that there was plenty of transfer capability for
10 all of the parties including the participants in
11 the COTP, as well as Three Mountain Power, under
12 that condition to answer the question that way, is
13 that right?

14 A No. That wasn't my assumption.

15 Q What was your assumption?

16 A My assumption was simply that given the
17 mix of resources in the Northwest, if the COI was
18 restricted in its transfer capability the first
19 resources to be backed down would be the thermal
20 units such as coal and natural gas, not the hydro.

21 Q And was that due to your view that if
22 one employed marginal cost pricing that hydro
23 would be less expensive and therefore more
24 economic, and you would back down the thermal
25 first? Is that the way you looked at it?

1 A That's my assumption, yes.

2 Q Is it your view that the California
3 market and, in fact, the wholesale power market in
4 the Northwest, is operating on the basis of
5 marginal cost transactions?

6 A I don't believe that's the case in the
7 Northwest. That's not the case in California,
8 either.

9 Q And so wouldn't it be correct to say
10 that while you can answer a hypothetical on the
11 assumption that marginal cost pricing is used,
12 that currently it is not employed in the markets
13 we're talking about?

14 A Right, but what I actually was trying
15 to -- the point I was trying to make was that even
16 though the marginal price of the hydro is lower,
17 the owners of the hydro and the owners of the
18 other resources, even though they may not have a
19 marginal cost that they bid to, or anything of
20 that nature, they are going to reduce the unit
21 that has the highest marginal cost, just because
22 that's how they maximize their profits.

23 Q How would you conclude, as you seem to
24 have said, given those facts, that the owners of
25 the hydroelectric resources in the Northwest would

1 get on the grid first, presumably before Three
2 Mountain Power?

3 MR. RATLIFF: Have you testified to that
4 before?

5 MR. MACKIN: I --

6 MR. DeCUIR: I believe his testimony,
7 when you were examining him, was that the
8 hydroelectric resources would get on the grid
9 first before new generators like Three -- I don't
10 think you mentioned Three Mountain, but I think
11 you said new generators.

12 MR. RATLIFF: I don't want to object, I
13 just want to make sure that the testimony is being
14 characterized correctly. Is that a fair
15 characterization of your testimony?

16 MR. MACKIN: Well, if we're talking
17 about the Northwest, I don't think that's what I
18 said.

19 If we were talking about the California
20 market, and the California hydro versus thermal,
21 then, yeah, that is what I said. That's a correct
22 characterization.

23 But in the Northwest they have a
24 different market structure, so --

25 //

1 BY MR. DeCUIR:

2 Q And your answer, with regard to
3 California, it's largely due to the mandate of the
4 must-take rule for hydro in spill condition, isn't
5 that right?

6 A Correct.

7 Q You spoke of an SMOP and you said it had
8 been given to one TANC person. Would you please
9 explain to me the original proposal of the SMOP as
10 you recall it, particularly because it sounded as
11 though you were saying that it assumed a condition
12 where there was no congestion. And I wasn't very
13 clear on what you were saying.

14 A No, it doesn't assume no congestion.
15 The SMOP, in the process of determining what the
16 operational transfer capability of the COI will be
17 in allocating existing contracts, assumes Three
18 Mountain Power to be offline.

19 So therefore the existing contracts,
20 existing transfer capability for TANC, for
21 example, is the same today as it would be after
22 Three Mountain Power, utilizing the SMOP. And
23 then TANC's allocation, in all their existing
24 contracts, are removed from the OTC. And what
25 remains is allocated to the ISO markets for

1 competition.

2 Q So, if, for example, using the SMOP that
3 you've just described, a TANC member in California
4 who on the day-ahead schedule had not decided to
5 use its allocation, would find that allocation
6 used on the day, the real-time day when that TANC
7 member might want to use it? Is that the way it
8 would work?

9 A I believe there's a requirement if TANC
10 members do not utilize their schedules within, I'm
11 not sure if it's 20 minutes before the operating
12 hour, there's some requirement that they have to
13 use their ETC by a certain time, otherwise it's
14 free for anyone to use in real time.

15 But in the day-ahead and hour-ahead
16 markets that characterization is not correct. It
17 would not be available for anyone else to use.

18 Q You spoke in very general terms about
19 alternatives that a TANC member might use to
20 replace power it had purchased from the Northwest
21 that might not be available because of
22 curtailments.

23 And I was wondering if you appreciated
24 that the TANC members have purchased on a firm
25 basis power resources in the Northwest for which

1 they are obliged to pay whether they can get them
2 or not? Do you appreciate that?

3 A If you tell me it's true I don't have
4 any reason to doubt you.

5 Q All right. And, would you say that it
6 would be economically efficient, or the kind of
7 decision that a good manager would use to attempt
8 to purchase replacement power that is not
9 dispatchable in real time, rather than using their
10 own controlled units which they are able to
11 dispatch immediately?

12 I was trying to, in my question here,
13 direct your attention to the real dilemma that Mr.
14 Salyer was speaking about, and that is the problem
15 of bringing up units and making a choice about
16 what units to run when there is curtailment.

17 And I was asking you if you understood
18 that the wise decision was, as he testified, to
19 use what he had available, the two units that he
20 could dispatch, which Modesto owns. Do you
21 disagree with that?

22 A I don't disagree with it. I think there
23 are other alternatives that maybe he hasn't
24 explored.

25 Q Those other alternatives would assume

1 what? What would you assume in those other
2 alternatives?

3 A He could purchase the operating reserves
4 from the ISO, and they'd be available if he needed
5 them.

6 Q And what kind of lead time is necessary
7 to do that, Mr. Mackin?

8 A He can purchase them in the day-ahead or
9 hour-ahead markets.

10 Q And his testimony, as you might recall,
11 is that you need to be able to dispatch, to ramp
12 up immediately, that going to the markets takes
13 too long.

14 A Right. And my previous testimony was
15 that it's a WSCC requirement that each utility
16 maintain their own operating reserves. And they
17 don't just go out and buy the reserves when they
18 need them, they have to have them in reserve at
19 all times.

20 So Mr. Salyer should have been
21 purchasing reserves, or using his units for
22 reserves 24 hours a day, seven days a week.

23 Q You testified that PG&E was doing the
24 detailed facilities study?

25 A Yes.

1 Q And there is another study that is going
2 to be done, an operational study?

3 A Right, an operational impact study.

4 Q And would you describe for the Committee
5 what information you hope to obtain from the
6 latter study, the operational impact study?

7 A Okay. Every -- three times a year, I
8 think we discussed previously, there are
9 operational transfer capability studies that are
10 performed to determine what the operational
11 transfer capability of the COI is for the season
12 that's under consideration.

13 This operational impact study is, the
14 intention is to look at the latest study that was
15 done for 1999 summer, and increase the loads to
16 the 2002 levels. And then determine what the
17 operational transfer capability of the system
18 would be at a couple of points. It wouldn't be a
19 complete determination, it's just a sensitivity to
20 determine what the OTC would be.

21 And then to add the Three Mountain Power
22 Project to the system. And then re-determine what
23 the OTC would be and see how much impact either
24 plus or minus Three Mountain Power has on OTC.

25 Q So, this will permit everyone to see how

1 much Three Mountain Power will take up of the
2 transfer capability of the COI, isn't that right?

3 A It will show what Three Mountain Power's
4 impact is on OTC, but again --

5 Q That will be --

6 A -- the testimony I provided earlier
7 about the SMOP should protect all holders of
8 existing contracts from any impacts caused by
9 Three Mountain Power.

10 Q You spoke in response to a question that
11 was proposed or presented by the Burney Resources
12 Group about VARs and I think you had in mind real
13 power at one of the large substations, Round
14 Mountain or Table Mountain, I don't remember.

15 Your testimony seemed to say that there
16 would not, in all likelihood, be on a power flow
17 analysis basis, a real addition to the resources
18 on the California grid. Perhaps because of this
19 VAR problem, but I didn't really understand it.

20 Would you explain what you were
21 explaining before?

22 A The issue of the VARs came up in a
23 workshop and the impact that Three Mountain Power
24 might have on reactive reserves in California will
25 be determined in the operational impact study.

1 So any adverse impacts Three Mountain
2 may have on reactive margin or transient
3 stability, post transient, any of those impacts
4 will be quantified in the OIS.

5 Q I see.

6 MR. DeCUIR: All right, well, do you
7 have anything to add? I will bring my questions
8 to a close if you don't. The other parties will
9 have an opportunity, I'm sure, if they have
10 something to say.

11 MR. RATLIFF: The witness is available
12 to anyone to cross-examine.

13 MR. DeCUIR: Right.

14 MR. RATLIFF: I think he's been cross-
15 examined by everyone, I would assume.

16 HEARING OFFICER BOUILLON: Mr. Ratliff,
17 do you have any redirect?

18 MR. RATLIFF: No, I don't.

19 HEARING OFFICER BOUILLON: You're
20 excused.

21 PRESIDING MEMBER KEESE: I have --

22 HEARING OFFICER BOUILLON: Oh, wait.

23 PRESIDING MEMBER KEESE: -- one
24 question.

25 //

1 EXAMINATION

2 BY PRESIDING MEMBER KEESE:

3 Q Do I gather that generally the COI line
4 is up to capacity in the spring? You indicated
5 it's very rarely at capacity. But is it generally
6 in the spring?

7 A In the spring is when there's the
8 highest likelihood of runoff, so it's more likely
9 in the spring and early summer than other times of
10 the year, yes.

11 Q And it's an assumption that underlies
12 this that generally this is northwestern hydro
13 that's filling the line?

14 A Yes.

15 Q And so if the line -- if we don't have
16 de-rating, but we have curtailment of different
17 supplies, what we still have is hydro power coming
18 somewhere into California, perhaps being spread
19 among different parties?

20 We heard testimony suggesting that a
21 contract would be curtailed. And my question is
22 if somebody's curtailed, if somebody doesn't get
23 as much as they thought they were going to get,
24 somebody else is getting that power?

25 A Well, it's possible that no one would

1 get the power if --

2 Q If the line just sits vacant?

3 A -- if the line is curtailed due to a,
4 you know, some facility being out of service, and
5 California cannot physically purchase that power,
6 if there's no other buyers available for that
7 power, the Northwest may just store the water in
8 the reservoir and generate at a later time.

9 Q Okay, but the -- when Modesto is
10 curtailed, --

11 A Right.

12 Q -- that somebody else may not be getting
13 that power?

14 A That's possible, yes.

15 PRESIDING MEMBER KEESE: Okay, thank
16 you.

17 MR. DeCUIR: Could I ask a few questions
18 of the witness? It will just be very brief, it'll
19 be on the same topic.

20 HEARING OFFICER BOUILLON: If they are
21 about the same topic, yes.

22 MR. DeCUIR: Yeah, they are exactly.

23 FURTHER RECROSS-EXAMINATION

24 BY MR. DeCUIR:

25 Q Commissioner Keese's point is very

1 important, and I think it needs the addition of
2 the setting. The setting here is a curtailment on
3 the three-line system during high north-to-south
4 flows from the Northwest of what used to be called
5 dump-hydro, because it was very inexpensive and it
6 was not otherwise going to be put to use, and had
7 to be released.

8 Now, Mr. Mackin, your experience tells
9 you that if you had a constriction on the transfer
10 capability, like a hardening of the arteries, due
11 to power being injected in the area of the Three
12 Mountain Power, let's say some other project, not
13 Three Mountain, but some other project, and it's
14 putting power in that's going to affect flows on
15 the three-line system, then possibly the answer is
16 that Californians of all types, whatever customer
17 that they might be, a customer of PG&E, a customer
18 of whatever, are not going to be able to receive
19 power generated from the Northwest in that
20 instance, because the nature of the power flow
21 will be that the new thermal generator is in the
22 system, isn't that right?

23 A That would only be true if the power
24 from the thermal generator was cheaper than the
25 hydro, yeah.

1 Q Well, we're assuming here that they're
2 operating at the same time, so that curtailment
3 exists.

4 A Right, but my point is the cheapest
5 resource will stay on the grid, the most expensive
6 will be curtailed. That's the way the market's
7 designed to work.

8 So if the situation you describe where
9 the hydro is curtailed, and the Three Mountain
10 Power, or the thermal unit in the Round Mountain
11 area is getting into the grid, it's because they
12 are cheaper.

13 Q Okay.

14 MR. DeCUIR: That's what I wanted to
15 ask. Thank you.

16 HEARING OFFICER BOUILLON: Now, you are
17 excused, thank you.

18 Mr. Ratliff, you have a panel of three
19 witnesses, or --

20 MR. RATLIFF: Two.

21 HEARING OFFICER BOUILLON: Two.

22 MR. RATLIFF: Two witnesses, Mr. Al
23 McCuen and Mr. Mark Hesters are the staff
24 witnesses. They testify together as a panel.

25 HEARING OFFICER BOUILLON: That will be

1 fine.

2 MR. RATLIFF: On the same piece of
3 testimony.

4 (Pause.)

5 MR. RATLIFF: Both of the witnesses need
6 to be sworn.

7 Whereupon,

8 AL McCUEN and MARK HESTERS
9 were called as witnesses herein, and after first
10 having been duly sworn, were examined and
11 testified as follows:

12 DIRECT EXAMINATION

13 BY MR. RATLIFF:

14 Q Mr. McCuen, I'll deal with you first,
15 and then I'll deal with Mr. Hesters immediately
16 afterwards.

17 Mr. McCuen, did you prepare the
18 testimony titled, transmission system engineering,
19 in the staff FSA, on page 349?

20 A I did.

21 HEARING OFFICER BOUILLON: Mr. Ratliff,
22 at this time let's mark the final staff assessment
23 exhibit number 56 for identification.

24 MR. RATLIFF: Exhibit 56?

25 HEARING OFFICER BOUILLON: 5-6, yes.

1 MS. COTTLE: Excuse me, did we move
2 Peter's testimony into the record?

3 HEARING OFFICER BOUILLON: Excuse me?

4 MS. COTTLE: Was Peter's testimony
5 admitted into the record?

6 HEARING OFFICER BOUILLON: No, no
7 testimony has been admitted yet.

8 MS. COTTLE: Okay.

9 HEARING OFFICER BOUILLON: As far as I
10 know.

11 MR. DeCUIR: Well, TANC's testimony has
12 been admitted in both instances.

13 HEARING OFFICER BOUILLON: We've
14 identified exhibits 51 through 56 -- oh, wait,
15 excuse me, let me look at that.

16 MS. COTTLE: I thought that TANC's
17 testimony had been moved in at the end of their
18 witness' presentation, --

19 MR. DeCUIR: I think that's correct,
20 yeah.

21 MS. COTTLE: -- but Peter's hasn't been.

22 MR. RATLIFF: I think they did move it
23 in.

24 MS. COTTLE: Do we plan to do this after
25 staff's complete presentation, or -- I just wanted

1 to make sure we don't forget.

2 HEARING OFFICER BOUILLON: 51 and 52
3 have both been admitted, yes. As far as I know,
4 53 has not even been provided, that's the series
5 of letters. 54 and 55 have not been offered.
6 That's the ISO testimony and errata. Are you
7 offering it at this time?

8 MR. RATLIFF: Yes, if you want to do it
9 that way. Or we can wait till the staff's
10 witnesses have all testified. However you would
11 prefer to do it.

12 HEARING OFFICER BOUILLON: Your
13 pleasure, it's your evidence.

14 MR. RATLIFF: Okay, I offer Mr. Mackin's
15 testimony into evidence at this time, then.

16 HEARING OFFICER BOUILLON: And errata?

17 MR. RATLIFF: And the errata, as well,
18 yes.

19 HEARING OFFICER BOUILLON: Any
20 objection?

21 MR. DeCUIR: No objections from TANC.

22 HEARING OFFICER BOUILLON: They're
23 admitted.

24 BY MR. RATLIFF:

25 Q Mr. McCuen, you had answered that you

1 had prepared this testimony, and you prepared it
2 with Laiping Ng, is that correct, whose name also
3 appears on that testimony?

4 MR. McCUEN: That's correct, and I'm
5 getting about 95 percent, so --

6 Q Okay.

7 MR. RATLIFF: Let the record show that
8 Mr. McCuen has some difficulty, particularly
9 hearing me, perhaps hearing others.

10 BY MR. RATLIFF:

11 Q And, Mr. Hesters, you're sponsoring the
12 same testimony, is that correct?

13 MR. HESTERS: Yes, I am.

14 MR. RATLIFF: Could you each, starting
15 with Mr. McCuen, explain your positions on the
16 staff, and your qualifications briefly?

17 MR. McCUEN: Yes, I'm the Program
18 Manager for the transmission system engineering
19 discipline for all regulatory cases. I've been a
20 senior engineer for over 15 years and with the
21 Commission for over 25.

22 I've also participated with the Western
23 Systems Coordinating Council on the operational
24 capability study group issues, NERC, and to some
25 degree with the California ISO stakeholder

1 proceedings.

2 MR. RATLIFF: Mr. Hesters, could you
3 summarize yours?

4 MR. HESTERS: I've been with the Energy
5 Commission for about ten years. The first seven
6 and a half of those were in what is now the
7 electricity analysis office. It has gone through
8 several name changes.

9 Primarily in that job I was analyzing
10 electricity -- utility systems and impacts of new
11 power plants on both existing generators and the
12 potential air quality impacts of those new
13 generators, as well as policies in terms of demand
14 side management for electric vehicles and how
15 those would affect both the resources and the
16 resources emissions in the state.

17 And currently I'm an associate
18 electrical engineer in the transmission -- the
19 engineering office analyzing transmission impacts
20 of new power plants, and doing general
21 transmission analysis.

22 MR. RATLIFF: Mr. Bouillon, would you
23 request that these witnesses be subject to voir
24 dire as to whether they are expert witnesses, or
25 should we seek stipulation to that effect, or how

1 do you prefer to do this?

2 HEARING OFFICER BOUILLON: If you will
3 offer them as experts I'll ask if anyone has any
4 voir dire questions, or whether they prefer to
5 stipulate.

6 MS. COTTLE: The applicant would be
7 willing to stipulate to their qualifications.

8 HEARING OFFICER BOUILLON: Mr. DeCuir?

9 MR. DeCUIR: Yes, the Transmission
10 Agency would stipulate to the qualifications of
11 Mr. McCuen as an expert.

12 We are not informed about the subject
13 matter of the testimony of Mr. Hesters, other than
14 the portion of transmission system engineering in
15 the FSA. And we would not stipulate to his
16 qualifications to testify to many of the subjects
17 dealt with in the transmission system engineering
18 portion of the FSA.

19 We would voir dire him to attempt to
20 establish both what he is responsible for in this
21 study, and his experience and background,
22 qualifications and education to testify to it.

23 HEARING OFFICER BOUILLON: Now would be
24 the appropriate time to do that.

25 MR. DeCUIR: Thank you very much.

1 VOIR DIRE

2 BY MR. DeCUIR:

3 Q Mr. Hesters, would you identify for us
4 what, in this exhibit, which is 56 for
5 identification, you are responsible for as the
6 author?

7 A I have to pull the right page. I am
8 specifically responsible for the footnote on page
9 354, and within that footnote --

10 Q Well, there are two footnotes.

11 A The second footnote, footnote number 5.
12 In the discussion of environmental impacts of
13 congestion on, or increase of the Three Mountain
14 Power Project through TANC.

15 Q That is all contained within footnote 5?

16 A Yes. There are some other -- I think
17 it's mentioned in some other places, but that's
18 the primary discussion of it.

19 Q Mr. Hesters, your undergraduate degree
20 is a bachelor of science in environmental policy,
21 is it?

22 A Yes.

23 Q And what electrical engineering courses
24 have you taken for credit?

25 A I've taken no electrical engineering

1 courses for credit.

2 Q Have you taken any power system
3 engineering courses for credit?

4 A No.

5 Q Have you audited any electrical
6 engineering or power system courses given at any
7 kind of technical school?

8 A No.

9 Q Have you read any treatises on electric
10 power engineering?

11 A Yes.

12 Q What treatise have you read?

13 A I don't have the specific title, I know
14 what it looks like, but I don't have it sitting in
15 front of me. I could get it in my office.

16 Q When did you read it?

17 A When I started the job as an associate
18 electrical engineer here, so within a year and a
19 half ago.

20 Q Are you currently enrolled in any
21 programs of instruction on the subjects of
22 electric for electrical engineering or power
23 system engineering?

24 A No.

25 Q And did you take the ordinary course of

1 instruction offered for undergraduates at the
2 University of California at Davis in environmental
3 policy?

4 A Yes.

5 Q And is it true to say that there are no
6 courses that you took within that curriculum when
7 you were there that involved the subject of power
8 system engineering?

9 A Yes.

10 Q Have you enrolled in any courses of
11 instruction having to do with the environmental
12 analysis of air quality impacts from power
13 systems?

14 MR. RATLIFF: Object on the grounds that
15 this witness is not being offered as an air
16 quality impact witness, as were not Mr. DeCuir's
17 witnesses this morning. So I believe that this is
18 not a proper realm for his voir dire.

19 HEARING OFFICER BOUILLON: Do I
20 understand you to say you're not offering him as
21 an expert on air quality?

22 MR. RATLIFF: That's right.

23 MR. DeCUIR: I think my question was a
24 little broader, Mr. Bouillon. I think it went to
25 whether he was in a course of study which involved

1 the air quality impacts of power generation. I'm
2 ont speaking about the issue of air quality as a
3 micro topic.

4 MR. HESTERS: When you say course of
5 study I have not had a specific course of study.
6 My previous experience in the electricity analysis
7 office included a lot of analyzing electric
8 systems and utilities and the potential air
9 quality impacts of new power plants, or policies,
10 on the quantity of pollution, rather than air
11 quality law or criteria violations.

12 BY MR. DeCUIR:

13 Q You would not feel yourself qualified to
14 testify about the engineering aspects of power
15 flow studies, would you?

16 MR. RATLIFF: Is that question clear to
17 the witness?

18 MR. HESTERS: It seems fairly broad.
19 I'm trying to come up with a way to --

20 MR. RATLIFF: Could you rephrase the
21 question, Mr. DeCuir. I think it's a very general
22 question to ask him.

23 MR. HESTERS: I can review studies of
24 power flow analysis study; I can review inputs of
25 those studies; I can review the outputs of those

1 studies. So, I'd say yes. I understand what the
2 implications of the studies are.

3 BY MR. DeCUIR:

4 Q What kinds of studies would you be
5 saying that you could understand the inputs or
6 outputs of? Name the kind of study that you're
7 talking about.

8 A I'm looking at this is my third power
9 plant siting case so far. I've worked on
10 LaPaloma, Sunrise and Elk Hills. In all of those
11 we've had to, mostly with the assistance of the
12 ISO, make sure, analyze the impacts of a new power
13 plant on system reliability.

14 Q Well, if I were to show you a power flow
15 study could you explain it to the Committee and
16 explain what it means in terms of the engineering
17 that's involved?

18 HEARING OFFICER BOUILLON: If I might
19 interrupt, Mr. Ratliff, are you offering him as an
20 expert and intend to ask him his opinion on
21 anything about a power flow study?

22 MR. RATLIFF: The purpose for this
23 witness, and I think it's already been clarified,
24 is to address the issues that are, I think,
25 inherent in this topic concerning the impact of

1 connecting a new transmission plant to the system.

2 And this is, I think, very clearly
3 within the experience of this witness in terms of
4 his work both in his prior position at the Energy
5 Commission, and his current one, in terms of
6 looking at the system as an electrical system.
7 But not from a specific engineering viewpoint in a
8 very technical sense.

9 So, I think we're splitting hairs here
10 and wasting a lot of time. I would prefer, if he
11 wants to move to strike the testimony, that he do
12 so at the close. But I don't think this is
13 profitable inquiry, frankly.

14 MR. DeCUIR: I'll be happy to, if I
15 could, just reserve my objection to his
16 qualifications, and we can proceed.

17 HEARING OFFICER BOUILLON: I think that
18 would be most appropriate. If, at any point, you
19 ask a question or you hear him answer a question
20 offering an opinion on an area which you feel he
21 is not qualified, I would allow you, under cross-
22 examination, to develop sufficient voir dire
23 questions on which to base a motion to strike. Is
24 that acceptable?

25 MR. DeCUIR: Yes, I appreciate that very

1 much.

2 HEARING OFFICER BOUILLON: All right.

3 MR. DeCUIR: And so I might interject a
4 voir dire as I go from one question to another?

5 MR. RATLIFF: Well, I would like you to
6 clarify that because we're going nowhere fast if
7 there's going to be an objection of a voir dire
8 nature every time he answers a question. I don't
9 want to see that happen.

10 HEARING OFFICER BOUILLON: No, no, you
11 misunderstand me, Mr. Ratliff. I'm going to allow
12 him to testify as an expert completely through his
13 testimony and respond to cross-examination from
14 any party.

15 If Mr. DeCuir has cross-examination with
16 regard to a specific question or a specific
17 response by Mr. Hesters, that he wants to develop
18 the qualifications about, he's going to be able to
19 do that.

20 MR. RATLIFF: Okay.

21 HEARING OFFICER BOUILLON: So, there
22 being no other objections -- excuse me, Mr.
23 DeCuir?

24 MR. DeCUIR: I only had one final voir
25 dire question.

1 HEARING OFFICER BOUILLON: Keep that
2 finger up while you ask it, because I'm going to
3 hold you to it.

4 (Laughter.)

5 BY MR. DeCUIR:

6 Q Mr. Hesters, your job title, while it
7 indicates that you're an associate electric
8 engineer, doesn't mean that you're actually an
9 electric engineer by any certification from any
10 certifying body, such as the state, which offers
11 professional engineering certificates after an
12 examination, isn't that right?

13 A That's right.

14 HEARING OFFICER BOUILLON: That's one.

15 MR. DeCUIR: I know, I had a lot of
16 parts in there, too. Thanks.

17 HEARING OFFICER BOUILLON: You may
18 continue, Mr. Ratliff.

19 MR. RATLIFF: Okay, what I intend to do
20 is address some direct questions to the witnesses,
21 and have them answer, in turn, as appropriate.

22 DIRECT EXAMINATION - Resumed

23 BY MR. RATLIFF:

24 Q First of all, starting with Mr. McCuen.
25 Mr. McCuen, could you summarize briefly your

1 testimony, please?

2 A Yes.

3 Q I'm sorry, before we get to that, do you
4 have any changes to make in your written testimony
5 of any --

6 A No, I do not.

7 Q -- importance? Is that testimony true
8 and correct to the best of your knowledge and
9 belief?

10 A Yes, it is.

11 Q And, Mr. Hesters, is footnote 5 true and
12 correct to the best of your knowledge and belief?

13 MR. HESTERS: Yes.

14 MR. RATLIFF: Okay. Mr. McCuen, could
15 you now summarize your testimony then?

16 MR. MCCUEN: Summarize it?

17 MR. RATLIFF: Yes.

18 MR. MCCUEN: Staff analyzed the project
19 to determine whether the proposed transmission
20 facilities would conform with applicable laws,
21 ordinances, regulations and standards, including
22 reliability criteria.

23 We concluded that the proposed
24 facilities would comply with laws, ordinances,
25 regulations and standards, assuming the adoption

1 of staff's proposed conditions of certification.

2 Staff concludes that the preliminary
3 facility study, Cal-ISO's preliminary approval of
4 that study was sufficient to identify the
5 facilities necessary for system interconnection.

6 It's possible that some transmission
7 equipment, which would be located within the
8 fence-line of an existing substation, may be
9 identified in future studies. The detailed
10 facility study, specifically.

11 The scope of this study is under review
12 by the staff and others at this time. The staff's
13 proposed conditions of certification require that
14 the Commission review and approve the detailed
15 facility study prior to the start of transmission
16 facility modification or construction.

17 MR. RATLIFF: Mr. McCuen, were you
18 present today when the TANC witnesses testified?

19 MR. McCUEN: Yes, I was.

20 MR. RATLIFF: And you heard the
21 discussion from those witnesses concerning the
22 impacts on reliability of interconnection with
23 Three Mountain?

24 MR. McCUEN: That's correct.

25 MR. RATLIFF: Did you agree or disagree

1 with that testimony concerning reliability
2 impacts?

3 MR. McCUEN: I disagree.

4 MR. RATLIFF: Could you explain why?

5 MR. McCUEN: The congestion caused by
6 Three Mountain will be mitigated by the Cal-ISO's
7 congestion management procedures. With regard to
8 overloaded transmission facilities, those are
9 indicated to be mitigated by remedial action
10 schemes. They've been identified by PG&E,
11 discussed and considered by the Cal-ISO.

12 The applicant, as I understand it, has
13 indicated that they will use remedial action
14 schemes, and the requirements of the conditions of
15 certification if the Commission adopts our
16 recommended.

17 Therefore, the system is still going to
18 be reliable after the insertion of Three Mountain
19 if this Commission approves it.

20 MR. RATLIFF: Did you hear the prior
21 testimony from the TANC witnesses concerning hydro
22 spill?

23 MR. HESTERS: Yes.

24 MR. RATLIFF: And do you agree or
25 disagree with that testimony?

1 MR. DeCUIR: Objection, this witness has
2 not qualified on anything other than footnote 5,
3 as I understand it. He does not represent himself
4 to have authored anything or be qualified to
5 testify about hydro spill.

6 MR. RATLIFF: Footnote 5 goes to the
7 environmental issues that you raised in your
8 testimony --

9 HEARING OFFICER BOUILLON: Mr. Ratliff,
10 when Mr. DeCuir makes an objection let him finish
11 it, at least.

12 MR. RATLIFF: Sorry.

13 MR. DeCUIR: I thank you very much, but
14 I am finished. I, you know, would offer to --
15 this witness has testified before in the Sunrise
16 matter, that he's not qualified to testify on
17 environmental matters.

18 So, you know, we'll bring that up if
19 need be, but I thought this witness was just going
20 to explain to us footnote 5.

21 HEARING OFFICER BOUILLON: I did not
22 have that understanding. As I understand the
23 question asked by Mr. Ratliff, was whether or not
24 he had heard the previous testimony today, and
25 whether or not he agreed with it, is that correct,

1 Mr. Ratliff?

2 MR. RATLIFF: Exactly, and I would add
3 an addition that footnote 5 is a very broad
4 footnote which embraces the very points which TANC
5 has been trying to make through its testimony
6 concerning environmental impacts, including hydro
7 spill.

8 There are two environmental impacts
9 here. One is air quality, one is hydro spill,
10 that are being alleged by TANC. And those are the
11 issues that footnote 5 addresses.

12 I think it's very germane to Mr. Hesters
13 to be able to address those issues.

14 MS. COTTLE: May I weigh in for a
15 moment?

16 HEARING OFFICER BOUILLON: Certainly.

17 MS. COTTLE: It was also our
18 understanding that staff had filed a petition
19 seeking to add Mr. Hesters as an additional
20 witness. And indicated in that petition that Mr.
21 Hesters would be testifying as to the
22 environmental issues that have been raised in
23 TANC's direct testimony.

24 And I believe that motion was granted
25 this morning without objection.

1 MR. DeCUIR: That might have been
2 granted. He can attempt to testify, but we have a
3 right to --

4 HEARING OFFICER BOUILLON: Hold it, Mr.
5 DeCuir. If I might have a moment.

6 MR. DeCUIR: Oh, I'm sorry, yeah.

7 HEARING OFFICER BOUILLON: I've got to
8 take a look at that.

9 MS. COTTLE: And my point is that --

10 HEARING OFFICER BOUILLON: Just wait.

11 I believe that Ms. Cottle has a valid
12 point. The motion filed did ask to have Mr.
13 Hesters not only be allowed as a witness, but as a
14 co-sponsor of the portion of the FSA dealing with
15 transmission system engineering.

16 That motion, without objection, was
17 granted by this Committee.

18 The weight to be given to Mr. Hesters'
19 testimony is highly dependent upon his
20 qualifications of which I think we're all fairly
21 aware at the moment.

22 I would suggest that, at this point, to
23 try and speed things up a little, we try and get
24 through the questions and answers, and see what
25 areas he attempts to testify in. And then at the

1 end of cross-examination, since in any event Mr.
2 DeCuir is going to be last, I will allow him to go
3 into such areas of voir dire, as I said before, as
4 he deems necessary to move to strike that
5 testimony.

6 But let's hear the testimony first so
7 hopefully we can get out of here at 5:00.

8 MR. DeCUIR: I think the Chair's
9 intended ruling is sensible. I would appeal to
10 the Chair, however, and the Committee, that
11 granting a motion to which we did not object to
12 add Mr. Hesters is not the same as the Committee
13 having heard whether we all agree that the witness
14 is qualified to speak on the topic for which he's
15 been proffered.

16 And we didn't take it that the
17 Committee, in granting that motion, was going to
18 be ruling on its qualifications. And we think
19 that the Hearing Officer's intention here that we
20 have reserved our ability to move to strike his
21 testimony for lack of qualification is
22 appropriate.

23 HEARING OFFICER BOUILLON: Does that
24 mean you'll stop objecting to every question and
25 wait until your turn?

1 MR. DeCUIR: Well, it depends upon --
2 this witness has gone far afield before, and I
3 don't believe it's economic to let that happen if
4 it's clearly beyond his expertise.

5 HEARING OFFICER BOUILLON: Well, Mr.
6 DeCuir, I would suggest that I will grant you a
7 continuing objection to his testimony, subject to
8 your questioning on his voir dire at the
9 conclusion thereof, and a motion to strike.

10 MR. DeCUIR: I'll abide by that, thank
11 you.

12 HEARING OFFICER BOUILLON: Continue, Mr.
13 Ratliff.

14 MS. CROCKETT: Excuse me, could I make a
15 comment?

16 HEARING OFFICER BOUILLON: Certainly.

17 MS. CROCKETT: I would like to reiterate
18 and support Mr. DeCuir's comments on the
19 background of this witness. I'm very
20 uncomfortable about what I'm hearing. And so I
21 will go ahead and support Mr. DeCuir in his
22 objection.

23 HEARING OFFICER BOUILLON: Thank you.

24 MR. RATLIFF: Do we have a ruling that I
25 can go ahead and ask these questions, or --

1 HEARING OFFICER BOUILLON: Yes.

2 MR. RATLIFF: -- do we not? Okay.

3 I'm going to address these questions to
4 the witnesses who are co-sponsoring this
5 testimony, and they may address them as they feel
6 appropriate between the two of them.

7 Back to the original question that I
8 asked before. We heard testimony this morning
9 concerning, I think I've actually forgotten where
10 we were.

11 MR. HESTERS: You were on hydro spill in
12 California.

13 MR. RATLIFF: Hydro spill in California.
14 In your opinion will there be hydro spill as a
15 result of Three Mountain interconnection with the
16 COI?

17 MR. HESTERS: No. The ISO is -- the
18 hydro spill is protected. If hydro plants are
19 spilling Three Mountain will be backed down first.
20 Therefore, Three Mountain cannot cause hydro spill
21 on its own.

22 MR. RATLIFF: Is that the nature of the
23 must-run requirement for hydro?

24 MR. HESTERS: Yeah, must-take is the --

25 MR. RATLIFF: Did you hear what

1 Mr. Mackin testified about hydro spill in the
2 Northwest?

3 MR. HESTERS: Again, that's a market
4 issue, and it has to do with how the hydro plants
5 in the Northwest sell and bid their power into the
6 California market. You assume if they're spilling
7 that either they get the water spills through the
8 dam and they get nothing for it, or they bid it in
9 the California market at whatever price they can
10 get, which is better than nothing.

11 I'd expect that to be less than the cost
12 of running Three Mountain in any case because
13 Three Mountain is having to pay for gas.

14 MR. RATLIFF: So does your opinion
15 regarding hydro spill in the Northwest vary in any
16 way from Mr. Mackin's?

17 MR. HESTERS: No, I expect it would be
18 very unlikely as the result of Three Mountain.

19 MR. RATLIFF: Now in Mr. Larsen's
20 testimony on page 7 there is a scenario that he
21 describes in which -- I think he describes sort of
22 a period of relatively high level of hydroelectric
23 generation.

24 And worst case condition with 500
25 megawatts of resources -- I'm sorry -- I would

1 like you to look at the scenario that he describes
2 on page 7 of his testimony.

3 MR. HESTERS: I have it in front of me.

4 HEARING OFFICER BOUILLON: What was that
5 page?

6 MR. RATLIFF: That's page 7 of Mr.
7 Larsen's testimony.

8 MR. HESTERS: Would you like me to
9 comment on that scenario, or --

10 MR. RATLIFF: Yes, could you please?

11 MR. HESTERS: The scenario's created a
12 condition in which 4800 megawatts of resources are
13 being imported from the Northwest. It also goes
14 on to say that there would be, in this same
15 scenario, high loads in central California
16 resulting in most of the existing generation in
17 that area on line.

18 The next stipulation is that long-term
19 firm commitments for resources made by TANC
20 members to serve the loads could not be delivered.

21 Based on the letters that we've seen
22 from the ISO and their tariff they will not be
23 displacing TANC resources or TANC ownership of the
24 COI is protected. The resources in the Northwest
25 that are making up this 4800, a third of them I

1 would assume were going to TANC members -- or not
2 TANC members, but the owners of COT. Not all of
3 them are TANC.

4 In that case I don't understand how
5 long-term firm commitments for TANC members would
6 be curtailed.

7 The letters and the SMOP, as the draft
8 SMOP sent from PG&E to the ISO protects these
9 rights even more firmly than I assumed before I
10 saw that letter. That letter and that SMOP
11 basically protects the TANC membership shares --
12 the TANC member shares of the COI to the level
13 that they were before Three Mountain existed.

14 Their ownership share would stay at the
15 level it is now, assuming Three Mountain isn't
16 operating. Therefore, Three Mountain wouldn't
17 have an effect on these generating resources or
18 TANC's ability to import power.

19 MR. RATLIFF: Mr. McCuen, do you have
20 anything to add to that answer?

21 MR. McCUEN: No.

22 MR. RATLIFF: You've seen in the
23 testimony from Mr. Salyer that supposedly
24 additional generation from MID's peakers would be
25 required if Three Mountain were interconnected.

1 Do you agree or disagree with that?

2 MR. HESTERS: I disagree. TANC's rights
3 to the COI power, or imports from the Northwest,
4 are protected. Therefore there shouldn't be an
5 impact on their combustion turbines.

6 Beyond that, they also have alternatives
7 that Peter Mackin of the ISO discussed. They
8 could buy reserves from the ISO market, or they
9 could buy power from the PX. They could also
10 contract with another provides that stipulates
11 when COI is congested, or when they lose their
12 access to Northwest power, they would get back-up
13 power from another generator.

14 So they have options. They may not be
15 the most economic options, but they are options.

16 MR. RATLIFF: What additional studies
17 are being performed right now that you're familiar
18 with that will be pertinent to the final operation
19 of the transmission system if Three Mountain Power
20 is approved?

21 MR. McCUEN: I'm sorry, what was the
22 question?

23 MR. RATLIFF: What additional studies
24 will need to be completed prior to the operation
25 and the interconnection of Three Mountain Power?

1 MR. McCUEN: The additional studies that
2 have been identified as being provided, and there
3 have been some study output provided here
4 recently, is the detailed facility study. That
5 detailed facility study pretty much dots the i's
6 and crosses the t's of some of the reliability
7 criteria, and provides a detailed cost estimate
8 for use by the applicant.

9 There's also a study identified for the
10 COI operating transfer capability that's underway
11 now, also, which indicates, or which will indicate
12 the degree to which, if any, the Three Mountain
13 Project would change the transfer capability of
14 the COI.

15 MR. RATLIFF: Will these additional
16 studies, the detailed facility study, will it
17 determine the appropriate operational conditions
18 for the entire system with the addition of Three
19 Mountain Power?

20 MR. McCUEN: Yes, the operational
21 characteristics, and it will also resolve the
22 details with regard to any remedial action
23 schemes, basically the engineering details, if you
24 will, for those studies which have been previously
25 identified in terms of a mitigation, but where the

1 engineering parts have not yet been done.

2 MR. RATLIFF: Would those operational
3 procedures include things like remedial action
4 schemes?

5 MR. McCUEN: Operational procedure is
6 different than remedial action scheme.

7 MR. RATLIFF: Could you explain the
8 difference?

9 MR. McCUEN: Yes. A remedial action
10 scheme is nothing more than a logic circuit that
11 says, for instance, if there's 105 percent
12 overload on a transmission facility, one unit of
13 Three Mountain could trip. It could also say,
14 instead, one unit will back down by 50 megawatts.

15 So it's basically an engineering detail
16 that implements the action.

17 MR. RATLIFF: Are you confident that
18 these studies will actually address any
19 reliability issue sufficiently to protect the
20 interests of TANC?

21 MR. McCUEN: Yes, I am, quite confident.
22 We've already seen from the initial studies that
23 the overloads have been identified, the impacts
24 have been identified. We know from those studies
25 that remedial action schemes have been identified

1 for those and can be identified for other
2 overloads.

3 We know that the California ISO will not
4 sign, will not approve a detailed facility study
5 until they're satisfied. That's true also for
6 Pacific Gas and Electric Company. They're going
7 to protect system reliability.

8 Ultimately this Commission will have an
9 opportunity to look at the engineering details, if
10 you will, of those studies, and approve them.

11 MR. RATLIFF: Thank you. I have no
12 further direct other than I would like to just
13 very briefly ask Mr. Hesters concerning his
14 qualifications.

15 Can you explain what your prior job was
16 at the Energy Commission?

17 MR. HESTERS: I was working in the
18 electricity analysis office. We conducted studies
19 on the impact of new power plants on an existing
20 electric network, or existing electric system that
21 would include how does a new, when you add a new
22 power plant to the existing system, how does that
23 change the operations of existing plants, which
24 includes both cost and expected emissions outputs
25 from those plants.

1 From that I have a general sort of
2 knowledge of how systems react to changes, in this
3 case the Three Mountain Power Plant, as a change.
4 We did lots of studies, not just on power plants,
5 but on how loads, if you change the loads how does
6 that impact the way power plants and existing
7 power plants operate. And how does that then
8 affect the amount of emissions that are created in
9 California.

10 MR. RATLIFF: Thank you, I have no other
11 questions.

12 HEARING OFFICER BOUILLON: Ms. Cottle,
13 do you have any questions?

14 MS. COTTLE: Just a few. I believe that
15 all my questions are for Mr. McCuen.

16 CROSS-EXAMINATION

17 BY MS. COTTLE:

18 Q Mr. McCuen, your testimony on page 349
19 of the final staff assessment explains that the
20 Energy Commission will rely on the ISO's
21 determinations to make its finding related to
22 applicable reliability standards, the need for
23 additional transmission facilities, an
24 environmental review of the whole of the project.

25 In this case staff is primarily a

1 facilitator, coordinating the Cal-ISO's process
2 and results with the certification process and the
3 Energy Commission decision.

4 Is that still your testimony?

5 A That's correct.

6 Q And is this the Energy Commission's
7 practice in all certification cases where the
8 project will be interconnected with the ISO-
9 controlled grid?

10 In other words --

11 A Repeat that, again.

12 Q My question is, is this the Energy
13 Commission's practice? In other words, does the
14 Energy Commission always rely on the ISO's
15 determinations in this regard?

16 A I can't answer for the Commission. This
17 is a staff recommendation. The staff is
18 recommending to the Committee, and has done so in
19 about six cases now, that this be how it occurs,
20 basically, for them to depend on the Cal-ISO for
21 the reliability portion.

22 Q And can you tell us, in your experience,
23 if the Commission has ever not adopted the staff's
24 recommendation in any case that's been approved?

25 A That's never happened.

1 Q And can you tell us, is it customary in
2 power plant siting cases for the final detailed
3 facility study to be required as a condition of
4 certification?

5 A That's correct. It may not be called a
6 final detailed facility study. There are three or
7 four different words that have been used in the
8 industry, but essentially what we're calling here
9 today a detailed facility study has been a
10 condition of certification, again in terms of the
11 details that haven't worked out yet, as a
12 condition of certification for a project.

13 Q And can you tell us whether, in your
14 experience, there has been any power plant siting
15 case that has been approved by the Energy
16 Commission where the final detailed facility study
17 or the functional equivalent thereof has been
18 required to be completed before certification?

19 A No.

20 Q My next question addresses the statement
21 in footnote 5 on page 354 of the final staff
22 assessment, where it states, quote, "TANC's issues
23 are of a contractual nature and relate to
24 contracts and operational agreements between PG&E
25 and TANC. Congestion is a necessary outcome of

1 AB-1890 and the ensuing Cal-ISO tariffs that
2 implement restructuring. Staff does not believe
3 that this issue is relevant to the findings that
4 the Commission must make, or those that the
5 Commission should make, because TANC's issues do
6 not concern reliability or environmental impacts."
7 End quote.

8 Is this still your opinion?

9 A Yes, it is.

10 Q Even after hearing all the testimony
11 that's been provided today, this is still your
12 opinion?

13 A Yes, it is.

14 Q In analyzing the Three Mountain Power
15 Project did you review the operating records for
16 the California/Oregon Intertie?

17 A Yes, I did, two and a half or three
18 years worth.

19 Q And based on the operating conditions
20 that you reviewed, or the records that you
21 reviewed, how many hours in those last two or
22 three years has there been room on the California/
23 Oregon Intertie for Three Mountain Power's output?

24 A I haven't added up all 7860 hours for
25 every year or portion of a year and tried to get

1 to that kind of number.

2 However, when one looks at the increases
3 and decreases and actual hourly power imports, one
4 could only conclude that there's an awful lot of
5 time when there's available, in terms of comparing
6 it to the rating, in terms of the rating, you look
7 at the difference between the rating and what
8 happened, you virtually never see what actually
9 came in touching the rating.

10 When I say virtually never, you may see
11 it two or three times a month. If I had to
12 characterize it, I would say basically if one
13 looks at the hourly capacity utilization, in other
14 words theoretically how much of what you could
15 have got do you actually get. You're going to see
16 numbers like 38 or 39 percent, up to perhaps 69 or
17 70 percent. Again, it's all over the place, but
18 just numbers of that sort.

19 Q Your testimony also describes the
20 assumptions that PG&E used to develop its study
21 cases in the preliminary facility study. And you
22 explain that in the heavy summer 2001 study case
23 that PG&E used, PG&E assumed 4778 megawatts of
24 power were being imported across the California/
25 Oregon Intertie.

1 And your testimony explains that the COI
2 has not operated at 4778 megawatts for a single
3 hour during the last three years, is that correct?

4 A That's correct.

5 MS. COTTLE: Thank you, Mr. McCuen, I
6 don't have any further questions.

7 HEARING OFFICER BOUILLON: Mr. Wolfe, do
8 you have any questions of this witness?

9 MR. WOLFE: Not at this time.

10 HEARING OFFICER BOUILLON: Ms. Crockett?

11 MS. CROCKETT: Thank you.

12 CROSS-EXAMINATION

13 BY MS. CROCKETT:

14 Q My question is for Mr. McCuen. Just on
15 the questions that Ms. Cottle just recently asked
16 you, on those empty spots on the COI where it was
17 not in use, was that because the customers went
18 without power, or there was no buyer?

19 A As I understand it, some of the empty
20 spots, if you will, are related to the economics
21 of the situation. Other of the empty spots are
22 because TANC and others, munis, have capacity
23 which they haven't released, and therefore other
24 people cannot utilize that capacity, and therefore
25 fill it up more often.

1 Q Has any purchaser of power gone without
2 power off the COI?

3 A Any purchaser of power?

4 Q Has there been an instance in your
5 knowledge that a customer has gone without power
6 because of lack of space, or not enough power
7 generation?

8 A I'm not aware of an instance. When you
9 say customer power, do you mean keeping the lights
10 on, or somebody that wants to buy --

11 Q Exactly, an end user.

12 A Not that I'm aware of.

13 Q Would you be comfortable in saying that
14 a lot of these spaces on the intertie are because
15 there were not end users available to purchase
16 that power, and therefore it's not being
17 generated?

18 A Say that again, please?

19 Q Would you be willing to say that these
20 room for Three Mountain on the intertie at those
21 times when you see available space on the
22 intertie, would it be reasonable to assume that
23 those available spaces for power to be generated
24 by Three Mountain at this time currently is
25 because there is no power being purchased at the

1 other end, and that's why power is not being
2 generated?

3 A I don't know.

4 Q Would it be reasonable to assume that
5 all the power going over the intertie is serving
6 customers, and that all the customers are served,
7 therefore there's an empty spot on the intertie
8 because there's no buyer?

9 A I don't know.

10 Q You mentioned several times that you
11 have been, you rely on the Cal-ISO for the final
12 determination of system reliability, is that
13 correct?

14 A The staff relies on the California --
15 the staff relies --

16 Q Staff.

17 A -- on the California ISO to some degree,
18 yes. We haven't yet relied on them for a detailed
19 facility study because we haven't seen one as a
20 matter of compliance yet.

21 Q Has staff ever done their own facility
22 studies to see whether the Cal-ISO is accurate in
23 their assumptions?

24 A We haven't put it in our computer to
25 check either PG&E or the Cal-ISO in any major way.

1 Occasionally we will run some checks in our
2 computer to see if we get similar results that
3 we've seen from a PG&E study.

4 Q Are you getting those same results?

5 A We're seeing very similar results, yes.

6 Q And instability in the system when the
7 one, two or three of the generators are tripped at
8 Three Mountain, are you seeing the same
9 instabilities within the system and frequency
10 instability?

11 A We did not look at stability analysis.
12 I was referring to power flow analysis.

13 Q The comment made in footnote 5, issues
14 do not concern reliability. Now, is frequency
15 instability a harbinger of system reliability or
16 lack of reliability?

17 A It can, however it's going to be assured
18 that it's not allowed to. It's required to meet
19 the reliability criteria.

20 Q And that would be through load shedding,
21 correct?

22 A I'm sorry?

23 Q That would be through load shedding
24 during periods of congestion?

25 A No. I don't think it would be through

1 load shedding. No.

2 Q Then I misunderstood Mr. Mackin when
3 they tripped the generators during periods of
4 overloading on the COI, that that would not be
5 part of the remedial action schemes? Or am I
6 getting things confused here?

7 A In extenuating circumstances if the
8 system cannot be held together, when the worst
9 thing happens, it is permissible to shed load to
10 keep the system together so that California, for
11 instance, doesn't impact Oregon.

12 That's a very out-of-the-ordinary-thing
13 to happen, it's a very out-of-the-ordinary
14 mitigation.

15 Q When Mr. Mackin was reviewing PG&E's
16 preliminary facility study wasn't Mr. DeCuir just
17 going over on page 5 six possibilities of
18 violations of the grid planning, that they would
19 have to do load shedding in order --

20 MR. RATLIFF: Objection, unless we can
21 clarify that we're talking about the staff's
22 testimony, -- is this a question of Mr. Mackin's
23 testimony or Mr. McCuen's testimony?

24 MS. CROCKETT: It's a question on
25 reliability of the staff to the California ISO

1 evaluation.

2 MR. RATLIFF: If Mr. McCuen understands
3 the question, then I have no objection to him
4 answering it.

5 MR. McCUEN: I'm hearing the word load
6 shedding. Is it possible that you mean generation
7 tripping?

8 MS. CROCKETT: Generation tripping,
9 excuse me. Okay.

10 MR. McCUEN: Load is when the lights go
11 out, that's really serious stuff.

12 BY MS. CROCKETT:

13 Q Okay.

14 A Generation tripping --

15 Q Generation tripping. Now, the mention
16 in footnote 5 is that this congestion is a
17 necessary outcome, and yet there is already
18 congestion at times on these lines prior to Three
19 Mountain's addition to the line.

20 And so now we are depending on the Cal-
21 ISO to say that they will do generation tripping
22 to keep the line stable, is that correct?

23 A The table 1 is not about keeping the
24 line stable. Table 1 is about thermal overloads,
25 in other words --

1 Q Right.

2 A -- there's too much current.

3 Q Right.

4 A Okay, there's too much current on the
5 transmission element or on a transformer. Beyond
6 that, if I understand your question, in one
7 instance, mainly the Olinda bank, existing system
8 conditions were such that it could be overloaded
9 by 15 percent if there's an outage the Captain
10 Jack Olinda when the generation is tripped to
11 mitigate that, to bring it back basically where it
12 was before, it's loaded to 114 percent.

13 Q When Mr. Mackin stated that the physical
14 effects of tripping a generator could cause
15 frequency going up or going down. Is that a
16 system reliability problem?

17 A If the system winds up in violation of
18 the reliability criteria, it would be -- I know
19 that sounds like a tautology, and I don't mean to,
20 but --

21 Q Um-hum.

22 A -- but basically the system has to stay
23 within the criteria. The criteria allows some
24 flexibility, and it allows for more than one way
25 to mitigate the problem. And Mr. Mackin has

1 indicated two ways that it can be mitigated. And
2 those details, I think, are going to be worked out
3 in the final staff assessment.

4 Let me just say here that one of the
5 important things for staff is to make sure we
6 understand whether or not there are down-stream
7 transmission facilities. These are basically
8 relays that will be set and changed. We're not
9 talking about 25 miles of transmission line.

10 Q The applicant had brought up the
11 question had a detailed facility study ever been
12 required for any other project prior to
13 certification.

14 Has there been any other projects that
15 have posed this sort of impacts to the grid system
16 in the last two or three years?

17 A I would say both the Pittsburgh project,
18 which has been renamed, and the Delta project,
19 both, certainly in the number of overloads, far
20 exceed Three Mountain, if you add up the numbers.

21 Q Okay.

22 A There were, I believe , 17 overloads in
23 the Pittsburgh unit. And if the Pittsburgh plus
24 Delta was added to the system, it was like 23 or
25 25, in that ballpark.

1 It was highly uncertain whether that
2 would ever happen, but that was the impact
3 identification.

4 Q And they did not go ahead and do a
5 detailed facility study prior to certification?

6 A They didn't do a detailed facility study
7 right then. We will see one.

8 MS. CROCKETT: Okay, thank you.

9 HEARING OFFICER BOUILLON: Mr. DeCuir.

10 MR. DeCUIR: Thank you very much. Let
11 me thank the Committee and the Hearing Officer, as
12 well, and all of the parties here for allowing my
13 witnesses to go early in the morning. It is, I
14 know, an inconvenience sometimes.

15 CROSS-EXAMINATION

16 BY MR. DeCUIR:

17 Q Mr. Hesters, in composing the first
18 sentence of footnote 5, you refer to a letter, and
19 your conclusion is that the sentence, as you were
20 allowed to change it, if you wanted to, is proper
21 where it says that the Transmission Agency is
22 concerned about competing with the Three Mountain
23 Power Project regarding power transport on the
24 COI.

25 You stick by that sentence?

1 MR. HESTERS: I'm not sure competing is
2 the correct word. I think it's more losing
3 transmission capability, or losing the ability to
4 transport power over COI when Three Mountain is
5 operating. It's not necessarily a competition
6 between the two.

7 MR. DeCUIR: So, would it be correct to
8 say that your current understanding is that the
9 Transmission Agency has nothing to worry about,
10 that its entitlement to COI transmission is secure
11 and will not be utilized by Three Mountain, is
12 that your understanding?

13 MR. HESTERS: Yes, everything I've seen
14 points to that.

15 MR. DeCUIR: So, it's really a word,
16 competing is a serious misfit when it comes to a
17 choice of words, is that right?

18 MR. HESTERS: It's not appropriate.

19 MR. DeCUIR: You write in the second
20 sentence that TANC's issues are of a contractual
21 nature. Do you stick by that?

22 MR. HESTERS: Yeah.

23 MR. DeCUIR: And do you believe you are
24 qualified to speak on the question of whether
25 something is a contractual matter or not?

1 MR. HESTERS: In this case, yes.

2 MR. DeCUIR: What qualifies you to do
3 that?

4 MR. HESTERS: Basically reading the
5 obligations of the ISO towards TANC, and the
6 letters between PG&E and the ISO concerning TANC's
7 rights to the power -- or not to the power, but to
8 the transmission capacity.

9 MR. DeCUIR: You write in the third
10 sentence of footnote 5 that congestion is a
11 necessary outcome of AB-1890. And is it your view
12 that the Legislature intended that there be
13 congestion when it enacted AB-1890?

14 MR. HESTERS: I believe that it didn't
15 see congestion as a negative. Congestion implies
16 full utilization of a transmission network.

17 MR. DeCUIR: In what sense is congestion
18 something that ensues from Cal-ISO tariffs?

19 MR. HESTERS: The Cal-ISO's methods of
20 mitigating congestion and their reliability
21 response to the dispatch of power plants may
22 result in more congestion than occurred before AB-
23 1890.

24 MR. DeCUIR: Is congestion an
25 environmental matter or not?

1 MR. HESTERS: In one sense it could be;
2 in another it isn't. In the sense that a --

3 MR. DeCUIR: I didn't put in Sunset
4 Whitney --

5 MR. HESTERS: No, no, I'm not --

6 MR. DeCUIR: Or whatever --

7 MR. HESTERS: -- it has nothing to do
8 with Sunset --

9 MR. DeCUIR: Can you testify, do you
10 have the experience to testify on whether
11 congestion --

12 MR. RATLIFF: Again, I would request
13 that the witness be allowed to answer the
14 question. He was in the process of answering the
15 question.

16 MR. DeCUIR: I thought he didn't
17 understand it because he said --

18 MR. HESTERS: No, no, --

19 MR. DeCUIR: -- you mentioned a golf
20 course.

21 HEARING OFFICER BOUILLON: Hold it.

22 MR. HESTERS: No, --

23 HEARING OFFICER BOUILLON: Hold it. Mr.
24 Hesters, answer the question.

25 MR. HESTERS: I did not mention a golf

1 course. What I mentioned was that in one sense it
2 can have an environmental impact; in another it
3 doesn't.

4 In the sense that it does have an
5 environmental impact, Mr. Salyer alluded to this
6 impact, in that if a power plant runs within its
7 permitted level, which is less than its maximum
8 permitted level without congestion, and then with
9 congestion is still under its maximum, but is more
10 than it was without congestion, you could say
11 there was an environmental impact in that it is
12 emitting more in a new area.

13 In that that is an environmental impact,
14 that plant has been permitted within the state
15 implementation plan for emissions, and by the air
16 district, to emit at a certain level.

17 Our general assumption is that if it
18 stays under that level there is a mitigated, or an
19 already-accounted-for impact.

20 MR. DeCUIR: Do you agree that you
21 testified in the Sunrise matter that, and I'm
22 quoting, "I don't have the experience to testify,
23 it's an environmental matter." Unquote. When the
24 question posed to you was, "Do you have the
25 experience to testify that it's an environmental

1 matter or not?" The it was congestion, a
2 congestion problem.

3 MR. RATLIFF: I object to that question
4 on the grounds that I think in the Sunset case the
5 cross-examination had already tried to define,
6 prior to, I think Mr. DeCuir had already tried to
7 define the terms environmental in his voir dire.
8 And I think in that sense Mr. Hesters was
9 testifying in accordance with the expertise
10 required for transmission system engineering, and
11 not on the environmental issues such as air
12 quality.

13 I think that he's doing similarly today.
14 But I think he's starting to pull testimony, which
15 I think is irrelevant, from a prior proceeding,
16 and construing it in this way is not going to be
17 very helpful.

18 HEARING OFFICER BOUILLON: I think it
19 would unduly lengthen this proceeding to start
20 dragging in testimony from a prior hearing,
21 possibly out of context. You bring in a little
22 bit, the staff may bring in a little more, the
23 applicant brings in more yet. And then you say,
24 well, wait a minute, I want to introduce the whole
25 record. And we're not going to do that.

1 So I would like you to restrict
2 yourself, Mr. DeCuir, to the testimony offered by
3 this witness and his qualifications as you're able
4 to develop them through voir dire questions
5 without bringing in -- I don't want to go into the
6 Sunrise case at this point.

7 MR. DeCUIR: Mr. Hesters, would you
8 explain Kerckhoff's Theorem?

9 MR. RATLIFF: I would --

10 MR. McCUEN: I missed the question, I'm
11 sorry.

12 MR. HESTERS: Explain Kerckhoff's
13 Theorem.

14 MR. DeCUIR: Explain Kerckhoff's
15 Theorem.

16 MR. McCUEN: Kerckhoff's Theorem?

17 MR. DeCUIR: Yeah. I'm asking Mr.
18 Hesters to. He's ready, I think.

19 MR. HESTERS: It has no relevance to
20 what I'm testifying to in this case.

21 MR. DeCUIR: What does it teach? What
22 is the principle of the theorem?

23 MR. RATLIFF: I object to the question
24 on the grounds that it is irrelevant and would
25 request that an offer of proof be made as to what

1 is the relevance of Kerchkoff's Theorem to his
2 testimony.

3 MR. DeCUIR: Anyone who deals in power
4 flows has got to appreciate the principle of
5 Kerchkoff's or Kerchkoff's Theorem. It should be
6 in a treatise on electric power system
7 engineering. If you pull a treatise like the
8 Electrical Engineers Handbook for the 8th or 9th
9 Editions, you'll see a big explanation of it.

10 And you can't testify like Mr. Hesters
11 is testifying unless you appreciate what it means.

12 MR. RATLIFF: What is the relevance of
13 the theorem to his testimony?

14 MR. DeCUIR: Because he's not qualified
15 to testify.

16 MR. RATLIFF: What is the relevance of
17 the theorem to his testimony?

18 MR. DeCUIR: The relevance is that --
19 the objection to his testifying has been reserved
20 as to his qualifications. And I'm finishing up
21 here --

22 HEARING OFFICER BOUILLON: Mr. DeCuir,
23 you have posed a question to attempt to test his
24 qualifications by asking for the explanation of a
25 theorem. If you had asked him to explain the

1 theory of relativity, I would be as much in the
2 dark as to its relevance to this case.

3 This theorem you speak of, as far as I'm
4 concerned, bears no relationship to his testimony,
5 and that's what the witness has said.

6 If you want to make an offer of proof
7 about the relevance of that theory to his
8 testimony I'd be glad to listen to it.

9 MR. DeCUIR: Yes. The theorem teaches
10 people about how power flows from one point to
11 another, and nulls out when it comes in from two
12 points. And anyone who deals in this subject
13 matter has got to understand what that's about.

14 Now, if the witness would explain what
15 he knows about the theory, and point out to us why
16 it's not relevant, perhaps we could appreciate his
17 point of view. But he's dismissed it out of hand,
18 and I, at this point, don't believe he knows what
19 it is.

20 MR. RATLIFF: Well, I don't think we
21 have a question before us right now. If the
22 question is what is Kerchkoff's Theorem, I don't
23 think -- if Mr. DeCuir wants to offer a seminar at
24 this point on transmission planning and what he
25 things is important and relevant about

1 transmission system planning, then maybe we could
2 do that.

3 But, I think this is a ridiculous way to
4 go about cross-examination in this case. I object
5 to questions which are intended basically to try
6 to show that Mr. DeCuir knows more about
7 transmission planning, or at least can ask
8 questions to indicate that he knows more about
9 transmission planning than someone else.

10 MR. DeCUIR: Well, I think, if I could,
11 Mr. Hearing Officer, I don't want to try and
12 address Mr. Ratliff's, you know, assignation of my
13 intentions, or what I'm trying to do.

14 I believe that the staff has represented
15 that Mr. Hesters is an expert; his rÇsumÇ says
16 electrical engineer. And I think if he went and
17 got the treatise from his office and brought it in
18 here, and pulled out the explanation of the
19 theory, we could all decide whether he's ready to
20 testify or not.

21 I'd suggest he do that while I pose a
22 question or two to Mr. McCuen.

23 HEARING OFFICER BOUILLON: I'm not going
24 to require him to do that, Mr. DeCuir.

25 MR. DeCUIR: I won't ask you to require

1 him to. I was asking, because he had volunteered
2 to do it before, to do it.

3 MS. COTTLE: You know, I don't
4 understand where this is going. Because if we're
5 getting at footnote 5 on page 354, this is also
6 Mr. McCuen's testimony. I don't understand what
7 Mr. DeCuir is trying to show here by putting Mr.
8 Hesters on the spot about it.

9 HEARING OFFICER BOUILLON: Let me make a
10 statement about what I've gathered about this
11 testimony in general, and Mr. Hesters' testimony
12 in particular.

13 He's been asked a few questions by
14 various parties, including staff, in addition to
15 footnote 5. His qualifications have been, I
16 think, pretty adequately put into the record
17 already.

18 The question of whether or not he is an
19 expert, quote-unquote, as I told everybody at a
20 prehearing conference, is a pretty broad category.
21 And I have no question but what Mr. Hesters is an
22 expert such as is qualified to give expert
23 testimony in generally the field of electricity
24 analysis, and to a certain, maybe a lesser extent,
25 power flows, and to some extent the content of

1 footnote 5.

2 The weight to be given to that
3 testimony, based upon his qualifications, is an
4 entirely different matter. And I don't want to
5 spend -- and we're not going to spend much more
6 time today, on those qualifications.

7 It becomes argument, and I want to say,
8 also, that the questioning him about his
9 characterization, Mr. DeCuir, of your testimony,
10 his characterization of it, in the first place, is
11 argument, it's going to be given no weight by this
12 Committee.

13 That is not -- that may be his opinion,
14 but that's not expert opinion. The expertise
15 about what your contentions are, I think, lies
16 with this Commission, and this Siting Committee.

17 So, I'd like to get on with these
18 proceedings if you can. If you'd like to make a
19 motion to strike his testimony you'll have ample
20 opportunity to do that between now and the 21st,
21 because we're coming back anyway. And I would
22 like to have that motion in writing with some
23 detailed points and authorities.

24 But I believe you have established the
25 record in that regard.

1 MR. DeCUIR: All right, thank you, Mr.
2 Chairman -- or Mr. Bouillon. I have more
3 questions if I could proceed?

4 HEARING OFFICER BOUILLON: Certainly.

5 MR. DeCUIR: Mr. Hesters, have you read
6 what you've referred to as the SMOP?

7 MR. HESTERS: Yes, I have. It's sitting
8 in front of me, as well.

9 MR. DeCUIR: What is the date on that?

10 MR. HESTERS: I think it's February
11 22nd, but let me look at it.

12 MR. DeCUIR: All right. Let me ask if
13 your counsel will provide copies to us later after
14 this hearing? Has it been docketed?

15 MR. HESTERS: It has been docketed.

16 MR. DeCUIR: All right, thank you, then
17 I won't ask for copies.

18 You had, I believe, assumed, haven't
19 you, when you were speaking about Northwest
20 hydroelectric resources, assumed that when an
21 entity such as Modesto would look to find
22 replacement power, that it would be purchasing
23 from the PX or the ISO, is that correct?

24 MR. HESTERS: Or a third-party entity, a
25 specific generator; or another utility.

1 MR. DeCUIR: And when you've been
2 thinking through all of the scenarios regarding
3 the operation of Three Mountain Power, have you
4 been assuming that it would sell solely into the
5 PX, or would it sell to the ISO, or also to
6 another party?

7 MR. HESTERS: It could do any of those.

8 MR. DeCUIR: And so might it contract
9 its output to sell it to let's say a large factory
10 in Emeryville, is that possible?

11 MR. HESTERS: Yes.

12 MR. DeCUIR: So 530 megawatts might be
13 devoted to operating the factory in Emeryville
14 from the Three Mountain Project, is that right?

15 MR. HESTERS: It could be, yes. But it
16 would not -- that does not necessarily reserve the
17 transmission capacity.

18 MR. DeCUIR: I see. Mr. McCuen, you
19 testified that you looked back three years and you
20 didn't find any instance where the actual use on
21 the COI reached anything in excess of 4700-and-
22 some megawatts, isn't that right?

23 MR. McCUEN: Yes, I believe that's the
24 correct number.

25 MR. DeCUIR: Did you look back four

1 years, also?

2 MR. McCUEN: No, I didn't.

3 MR. DeCUIR: And do you know that four
4 years ago that the COI operated in the area of
5 4700 and 4861 megawatts?

6 MR. McCUEN: Yes.

7 MR. DeCUIR: And so in writing your
8 report and just referring only to the three-year
9 period you did not give the Committee the
10 information that four years ago the COI had
11 operated in excess of its current rating, isn't
12 that right?

13 MR. McCUEN: That's correct, I didn't
14 provide that information because it can't operate
15 more than its theoretical limit, which is
16 presently assigned at 4800 megawatts.

17 So I think what was important was to see
18 how it performed against its rating, not some
19 rating back before the August 10 outage.

20 MR. DeCUIR: Well, isn't it true that
21 since the 1996 outage to which you refer, that
22 there have been instances where the COI has
23 operated at maximums of 4124, 4065, 4011, isn't
24 that right?

25 MR. McCUEN: Numbers of that order, yes.

1 Around 4000, perhaps once or twice at 4200 or
2 4300.

3 MR. DeCUIR: All right. Well, I am
4 finished. And I sure appreciate all of the
5 courtesy shown by everyone. And I will shut up
6 and let others do their thing.

7 HEARING OFFICER BOUILLON: Mr. Ratliff,
8 do you have any redirect?

9 MR. RATLIFF: I do not.

10 HEARING OFFICER BOUILLON: We're not
11 going to even get to your witnesses on this issue,
12 much less any of the other --

13 MR. DeCUIR: We'll have some rebuttal --

14 HEARING OFFICER BOUILLON: -- topics
15 that we had.

16 MR. RATLIFF: Well, I was in hope that
17 we would, in fact, finish at least one issue
18 today. Is that not going to occur?

19 HEARING OFFICER BOUILLON: How long
20 would your testimony take?

21 MS. COTTLE: Our direct testimony would
22 take about three minutes.

23 HEARING OFFICER BOUILLON: Mr. DeCuir,
24 have you examined the direct testimony of the
25 applicant's witness in this regard?

1 MR. DeCUIR: Yes, I have prepared for
2 his testimony.

3 HEARING OFFICER BOUILLON: And how much
4 cross-examination do you have?

5 MR. DeCUIR: Oh, I'd say maybe ten
6 minutes.

7 HEARING OFFICER BOUILLON: Excuse me?

8 MR. DeCUIR: Ten minutes maybe.

9 HEARING OFFICER BOUILLON: Ms. Crockett,
10 do you have cross-examination for that witness?

11 MS. CROCKETT: I am not prepared for any
12 cross-examination at this time.

13 HEARING OFFICER BOUILLON: All the more
14 reason to have it today.

15 (Laughter.)

16 HEARING OFFICER BOUILLON: That was a
17 joke.

18 (Laughter.)

19 HEARING OFFICER BOUILLON: Or intended
20 to be.

21 I've been informed by --

22 PRESIDING MEMBER KEESE: Okay, let's try
23 to finish this issue.

24 HEARING OFFICER BOUILLON: Mr. Ratliff,
25 Mr. Ratliff?

1 MR. RATLIFF: Yes.

2 HEARING OFFICER BOUILLON: Would you
3 care to move any testimony into evidence?

4 MR. RATLIFF: Yes, I would move the
5 staff final staff assessment identified earlier
6 into evidence as marked previously.

7 MR. DeCUIR: I'd like to make pending a
8 motion to strike the footnote number 5 and the
9 testimony of Mr. Hesters. And I understand that
10 the Hearing Officer has instructed us to brief
11 this issue to be heard for the 21st?

12 HEARING OFFICER BOUILLON: If you would
13 put that motion in writing with your support for
14 that motion. I'm not requiring any responses to
15 it. That's up to the parties.

16 And if you will have that to me by the
17 14th, that will give the other parties an
18 opportunity to respond to it. They need not do so
19 in writing.

20 But I will, subject to a motion to
21 strike, if there are no other objections, I will
22 admit that into evidence, reserving your -- it
23 can't be stricken until I get it in.

24 MR. DeCUIR: Thank you.

25 HEARING OFFICER BOUILLON: Yes, and I

1 believe we put -- we did that already.

2 We're done with these witnesses. You
3 are excused.

4 Let's try to finish with your witness if
5 we can.

6 MS. COTTLE: Okay. We are calling Mr.
7 Byron Tomlinson to the stand.

8 Could we have the witness sworn.

9 HEARING OFFICER BOUILLON: Would you
10 swear the witness, please.

11 Whereupon,

12 BYRON J. TOMLINSON

13 was called as a witness herein and after first
14 being duly sworn, was examined and testified as
15 follows:

16 DIRECT EXAMINATION

17 BY MS. COTTLE:

18 Q Please state your full name for the
19 record.

20 A Byron James Tomlinson.

21 Q Mr. Tomlinson, did you prepare the
22 testimony on transmission system engineering that
23 was submitted in this proceeding by Three Mountain
24 Power?

25 A Yes.

1 Q And was a copy of your qualifications
2 submitted with that testimony?

3 A Yes.

4 MS. COTTLE: I'm wondering if the
5 parties would be willing to stipulate to Mr.
6 Tomlinson's qualifications at this time?

7 MR. RATLIFF: Yes.

8 MR. DeCUIR: So stipulated.

9 MS. COTTLE: Thank you.

10 BY MS. COTTLE:

11 Q Mr. Tomlinson, is your testimony true
12 and correct to the best of your knowledge?

13 A Yes.

14 Q Do you have any corrections or
15 modifications to that testimony at this time?

16 A No.

17 Q Will you please briefly summarize your
18 testimony?

19 A I agree with the staff and Cal-ISO that
20 no facilities, other than those identified in the
21 PFS, the preliminary facility study, pending
22 completion of the detailed facility study, are
23 necessary in order to reliably interconnect the
24 project to the transmission grid.

25 I believe it will meet the WSCC NERC and

1 Cal-ISO reliability criteria.

2 I'm confident that the Cal-ISO's
3 participating generator agreement, when developed,
4 will insure that the project will be reliably
5 interconnected to the grid.

6 HEARING OFFICER BOUILLON: If I might
7 interrupt, Ms. Cottle, before we proceed any
8 further, his testimony is contained in --

9 MS. COTTLE: A big volume. It's volume
10 two of the two volumes that were submitted on
11 February 22nd.

12 HEARING OFFICER BOUILLON: On your list
13 of exhibits that is attached to your prehearing
14 conference statement, which I'm trying to use as
15 an exhibit list, could you identify which number
16 that is? Because what I have for transmission
17 system engineering is sponsored by Mai Hattar.

18 MS. COTTLE: There actually should be
19 two entries for transmission system engineering,
20 and we did submit a revised prehearing conference
21 statement with a revised exhibit list.

22 HEARING OFFICER BOUILLON: Well, I'm
23 working off the old one.

24 MS. COTTLE: And I apologize for that.

25 HEARING OFFICER BOUILLON: I see under

1 exhibit number 20 that it says direct testimony of
2 Mai Hattar regarding transmission system
3 engineering. If I substitute Mr. Tomlinson's name
4 in there, would that be an appropriate number to
5 give his testimony?

6 MS. COTTLE: That would be fine. And I
7 would just clarify that we did not submit
8 testimony of Mai Hattar on this subject. And that
9 was explained in our supplemental prehearing
10 conference statement.

11 So there is no other transmission system
12 engineering testimony from the applicant.

13 HEARING OFFICER BOUILLON: That's fine.
14 Mr. Tomlinson's testimony in the second volume of
15 the testimony you submitted will be identified as
16 exhibit number 20.

17 MS. COTTLE: Okay, thank you.

18 BY MS. COTTLE:

19 Q Mr. Tomlinson, have you reviewed the
20 testimony of Mr. Larsen and Mr. Salyer that was
21 submitted on behalf of TANC?

22 A Yes.

23 Q And would you characterize the issues
24 that TANC has raised as reliability issues?

25 A No.

1 Q Would you characterize them as
2 contractual issues?

3 A Yes.

4 Q TANC's witness, Mr. Larsen, has
5 testified that Three Mountain Power could have an
6 adverse impact on TANC's ability to utilize the
7 COI facilities unless appropriate operating
8 procedures are developed.

9 Can you tell us whether operating
10 procedures are being developed for the Three
11 Mountain Power Project?

12 A Yes, they are.

13 Q And is TANC participating in the
14 development of those operating procedures?

15 A To my knowledge, yes.

16 Q And have you been present at meetings
17 where the SMOP, or special mitigation operating
18 procedures, was discussed?

19 A I've been present at two meetings, yes.

20 Q And was a representative of TANC also
21 present at those meetings?

22 A Yes.

23 Q Can you tell us whether Three Mountain
24 Power intends to comply with the operating
25 procedures that are required by the ISO?

1 A Yes.

2 Q And do they intend to comply?

3 A Yes.

4 Q Mr. Larsen's testimony on pages 4 and 5
5 mentions studies that TANC performed to assess the
6 transmission impacts of the Three Mountain Power
7 Project.

8 Has TANC shared those studies with Three
9 Mountain Power?

10 A Not to my knowledge.

11 Q Based on your review of Mr. Larsen's
12 testimony how do the results of TANC's studies
13 compare to the results of PG&E's preliminary
14 facility study?

15 A They are similar.

16 Q TANC's testimony, and it's also been
17 discussed today, mentions that an operational
18 impact study and a detailed facility study are
19 being prepared for the project. Can you tell us
20 whether those studies are under way?

21 A Yes, they are under way.

22 Q And do you believe that they will be
23 completed?

24 A Yes.

25 Q And is TANC participating in discussions

1 with Three Mountain Power, PG&E and the ISO
2 regarding how those studies will be done?

3 A Yes.

4 MS. COTTLE: Thank you, Mr. Tomlinson, I
5 have no further questions.

6 The witness is available for cross-
7 examination.

8 HEARING OFFICER BOUILLON: Mr. Ratliff.

9 MR. RATLIFF: Well, I was going to ask
10 him about Kerchkoff's Law, but I think I'll pass
11 on that.

12 (Laughter.)

13 MR. RATLIFF: I have no questions.

14 HEARING OFFICER BOUILLON: Ms. Crockett,
15 I understand you're not prepared with this
16 witness?

17 MS. CROCKETT: That's correct, thank
18 you.

19 HEARING OFFICER BOUILLON: Mr. DeCuir.

20 MR. DeCUIR: Thank you very much.

21 CROSS-EXAMINATION

22 BY MR. DeCUIR:

23 Q Mr. Tomlinson, when will the detailed
24 facility studies, or study, and the operational
25 impact study be completed?

1 A The schedule calls for the detailed
2 facility study to be complete by March 17th. But
3 I don't believe it will make that date.

4 Q When do you think it will be finished?

5 A I would suspect by the end of the month.

6 Q And the operational impact study?

7 A In a similar timeframe.

8 Q Have you studied the average operational
9 plan month by month for Three Mountain Power? In
10 other words -- well, go ahead.

11 A No.

12 Q That takes care of that subject. All
13 right.

14 MR. DeCUIR: I'm going to leave that
15 subject and this witness. And thank you for
16 staying as late as you have.

17 HEARING OFFICER BOUILLON: Any redirect,
18 Ms. Cottle?

19 MS. COTTLE: I do not have any.

20 HEARING OFFICER BOUILLON: You are
21 excused. Do you want to offer the testimony?

22 MS. COTTLE: Yes, I'd like to offer the
23 testimony to be admitted into the record, please.

24 HEARING OFFICER BOUILLON: Any
25 objection? It will be admitted. You are excused.

1 MR. DeCUIR: Mr. Hearing Officer, I have
2 some housekeeping matters I'd like to bring up at
3 some time.

4 HEARING OFFICER BOUILLON: If they're
5 brief, --

6 MR. DeCUIR: Yeah, they are.

7 HEARING OFFICER BOUILLON: -- go ahead.

8 MR. DeCUIR: They're very brief. I
9 would like the opportunity to consider bringing
10 rebuttal witnesses, Mr. Salyer and Mr. Larsen,
11 back. I had Mr. Larsen on call until after he got
12 out of his ISO meeting this afternoon.

13 And I can tell the Committee I've got to
14 think about this a little bit, but at this point
15 in time, I believe, because so much time was spent
16 on their testimony, that rebuttal may be required.
17 And I wanted to alert you to that, and ask you if
18 you could fit if possibly into your planning
19 schedule.

20 And secondly, I had mentioned informally
21 here that we believe that because of the
22 importance, the critical importance that all the
23 parties are putting on these studies, that this
24 subject not be closed up until those studies are
25 available and can be examined.

1 And we will suggest that to the
2 Committee formally.

3 MR. RATLIFF: I believe you just did.

4 MR. DeCUIR: Oh, well, if that will do
5 it, then I won't write anything.

6 MR. RATLIFF: Oh, you're going to file a
7 motion, is that what you're saying?

8 MR. DeCUIR: Well, I would if you
9 requested. I don't like to write, and I'm a lazy
10 guy, but I will happily write one if one is
11 required.

12 HEARING OFFICER BOUILLON: Ms. Cottle,
13 did you have some response to those semi motions,
14 suggestions of Mr. DeCuir's?

15 MS. COTTLE: Well, a couple things.

16 HEARING OFFICER BOUILLON: Either or
17 both.

18 MS. COTTLE: Both. First of all, we
19 strongly object to allowing Mr. DeCuir to bring
20 back his witnesses to rebut what happened today.
21 Mr. DeCuir specifically asked the Committee and
22 all the other parties to agree that his witnesses
23 could go first. Which my understanding that's not
24 the normal order of witnesses.

25 We agreed. And we object to his

1 suggestion that now, because we accommodated his
2 schedule, that he should have an opportunity to
3 come back and get a second bite at what everybody
4 said.

5 He's had an opportunity to cross-examine
6 every single witness that's been offered in this
7 proceeding, and he has taken advantage of that
8 opportunity today. And he has questioned
9 witnesses at length.

10 We believe that everything that people
11 want in the record should be considered to be in
12 the record as of today. Today, in our opinion, is
13 the time and place at which time parties would
14 present their testimony, cross-examine other
15 witnesses, and make all their points on this
16 subject.

17 And we strongly object to any
18 insinuation that either rebuttal witnesses be
19 brought back, rebuttal testimony be allowed, or
20 that this subject be held open for any further
21 discussion on the matter, other than in briefing.

22 MR. RATLIFF: Commissioner, if I may, I
23 would like to add to that. Staff strongly objects
24 to spending any more time on an issue where I
25 think we've already spent too much time, largely

1 because we had two witnesses from TANC who both
2 profess to have no knowledge of what I believe is
3 the most critical aspect of this whole issue, and
4 that is the existence of the SMOP, which
5 basically, in staff's view, addresses all of their
6 issues fully.

7 MR. DeCUIR: I don't think it's fair to
8 blame them for not knowing, really.

9 MR. RATLIFF: I don't know whose fault
10 it is, but I think they came here and testified on
11 an issue without knowledge of one of the critical
12 components of this very issue, and we spent a day
13 of hearing time on it.

14 And I think if they had been better
15 informed on that issue, we would not have had to
16 do that.

17 So, again, I think rather than spend any
18 more time on this issue, which I don't think is an
19 issue at all in the context of this case, we urge
20 that the record be closed on the issue.

21 HEARING OFFICER BOUILLON: Ms. Crockett,
22 do you have a comment on that one motion? We're
23 going to do this again because they have a second
24 item.

25 MS. CROCKETT: My only comment would be

1 at this time that the Burney Resource Group
2 probably would not have any questions for redirect
3 or cross. That's all I could say at this point.

4 HEARING OFFICER BOUILLON: Okay. Now,
5 with regard to Mr. DeCuir's second point, that we
6 not close the record, I don't believe you got your
7 comments in about that. Maybe you did.

8 MS. COTTLE: I believe I got them in
9 indirectly perhaps, but our position is that the
10 record should not be held open on this subject.
11 It's the practice, we believe, at the Energy
12 Commission in other siting cases to require the
13 detailed facility study to be submitted as a
14 condition of certification.

15 Staff has recommended the same in this
16 case. And we don't have any objection to that.
17 We fully intend to comply.

18 We don't believe that the record should
19 be held open at this point for a further
20 discussion on the results of the detailed facility
21 study. It would, no doubt, delay the proceeding
22 unnecessarily. And we don't believe that it's a
23 proper subject that's within the scope of this
24 Commission's review.

25 HEARING OFFICER BOUILLON: Mr. Ratliff,

1 do you have any comments that bear on that?

2 MR. RATLIFF: No further ones, no.

3 HEARING OFFICER BOUILLON: Ms. Crockett?

4 MR. DeCUIR: I believe, if I could have
5 a personal courtesy to address the point that our
6 witnesses did not know about the SOMP here, or
7 whatever it's called.

8 It was --

9 HEARING OFFICER BOUILLON: That's not
10 going to be a part of our ruling, I wouldn't worry
11 about it.

12 MR. DeCUIR: All right.

13 HEARING OFFICER BOUILLON: That's not
14 going to come into play.

15 MR. DeCUIR: All right, thank you.

16 (Pause.)

17 HEARING OFFICER BOUILLON: The Committee
18 has discussed the matter and we have decided not
19 to allow you any rebuttal. It was by your choice
20 that you went first instead of last, in which case
21 you would have not been able to call any rebuttal
22 witnesses.

23 MR. DeCUIR: You're lucky I don't open
24 the door and bring them in, what are you going to
25 do then?

1 (Laughter.)

2 HEARING OFFICER BOUILLON: The topic of
3 transmission system engineering is closed.

4 And that, I believe, adjourns the
5 session today. I think everybody's tired --

6 MS. COTTLE: Can I just -- I'm sorry, I
7 don't mean to continue this any further, I just
8 wanted to ask regarding briefing. Will the
9 briefing schedule for this topic be addressed at
10 the conclusion of the March 21st hearing?

11 HEARING OFFICER BOUILLON: I'm sorry,
12 would you repeat that?

13 MS. COTTLE: I'm asking about the
14 briefing schedule. Will we discuss that at the
15 next hearing?

16 HEARING OFFICER BOUILLON: Yes.

17 MS. COTTLE: So we'll do it all as part
18 one together, is that the idea?

19 HEARING OFFICER BOUILLON: Absolutely.

20 MS. COTTLE: Okay, thank you.

21 HEARING OFFICER BOUILLON: The next
22 hearing is scheduled for this room on the 21st at
23 9:00 a.m. We'll see you then. And if you'd like
24 to discuss the orders of witnesses with me,
25 because of travel restrictions, either for morning

1 or afternoon, I'd be glad to do that either by
2 email or on the telephone.

3 MS. COTTLE: Okay, and will we be moving
4 in -- I'm sorry, will we be moving in all the
5 stipulated testimony at that time?

6 HEARING OFFICER BOUILLON: I would like
7 to do the stipulated testimony first thing.

8 MS. COTTLE: Okay.

9 HEARING OFFICER BOUILLON: Get that out
10 of the way. I had hoped to do it --

11 MS. COTTLE: Today.

12 HEARING OFFICER BOUILLON: -- at the
13 conclusion of today, but it's too late.

14 MS. COTTLE: Okay.

15 HEARING OFFICER BOUILLON: It's too easy
16 to make a mistake this late in the day.

17 MS. COTTLE: Okay, we'll be prepared --

18 HEARING OFFICER BOUILLON: This hearing
19 is adjourned.

20 (Whereupon, at 5:22 p.m., the hearing
21 was adjourned, to reconvene at 9:00
22 a.m., Tuesday, March 21, 2000, at this
23 same location.)

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CERTIFICATE OF REPORTER

I, VALORIE PHILLIPS, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Hearing; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said Hearing, nor in any way interested in the outcome of said Hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of March, 2000.

VALORIE PHILLIPS

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345